





## THE CRISIS IN SOUTHERN LEBANON

## Common line sought by Arab hard-liners

By Louis Fares

**DAMASCUS, March 19.** FOREIGN and defence ministers of the Arab "steadfastness front"—Syria, Libya, Algeria, Sudan, Yemen, and the Palestine Liberation Organisation—met tonight to discuss the Israeli invasion of southern Lebanon.

Syrian officials said the meeting is "to determine the repercussions of the Israeli aggression, and to consider ways and means of meeting the enemy challenges."

They also stressed the need to adopt a common attitude "to enable Syria and the PLO to face the Israeli aggression and to toll the surrenderist plans in the area."

Reuters reports: the four Arab states will consider providing air cover to protect Palestinian refugee camps and inhabited areas in Lebanon, the Libyan news agency Jana reported today.

In a dispatch received in London, Jana said points on the agenda for the meeting include supplying the PLO and Lebanese left-wing forces with all the necessities for battle, setting up a committee in Damascus or Beirut to co-ordinate these commitments, and providing air cover to protect refugee camps and inhabited areas.

President Hafez al-Assad of Syria said yesterday the Syrian skies were open to all Arabs who wanted to resist Israeli forces in southern Lebanon.

In Cairo, Mr. Mohammed Ibrahim Kamel, the Egyptian Foreign Minister, told parliament the invasion was an obstacle to a just Arab-Israeli settlement, such as President Anwar Sadat sought with his peace initiative last year.

This initiative, he said, put Israel in a difficult position and it was now trying to divert world attention. "Attempts for expansion will achieve nothing but a continuation of wars," Mr. Kamel said.

He also said that the invasion of southern Lebanon had been planned long ago and was not a reply to the Palestinian guerrilla raid on central Israel a week ago.

Egypt supported stationing UN troops in southern Lebanon, if this proved necessary, and agreed in principle to hold Arab meetings, including an Arab summit, on the invasion, Mr. Kamel added.

## Israelis extend their penetration

By L. DANIEL

ISRAELI forces plunged deeper into the south of Lebanon today, pushing their advance well beyond the six-mile "security zone" which was the original stated objective of the operation launched five days ago.

On Tuesday, Lt-Gen. Mordechai Gur, Israeli Chief of Staff, announced that the 20,000-strong invading force had captured an important Palestinian guerrilla base near the River Litani—although he would not give its name or location. Israeli forces had now advanced 10 to 15 kilometres (6 to 9 miles) into the south of Lebanon.

The Chief of Staff said: "The last news that we got this morning was that on the main road from the north, where it crosses the Litani River, our forces have captured an important terrorist stronghold and so cut off the main road they have been using to bring reinforcements until now."

Questioned about the extent of

the Israeli advance, he replied: "We are not talking about a security belt anymore, but about a general agreement and arrangement in the area."

The main parties of such an accord—designed to eliminate the Palestinian guerrillas from the area south of the Litani—would be the Lebanese Government, the Maronite Christian community, and the predominantly Syrian joint peace-keeping force.

"I have no doubt that with these three elements, and mainly the Syrians, terrorist activity can be stopped."

In a politically charged statement, which reflects the view of Mr. Menahem Begin, the Prime Minister, and Mr. Moshe Dayan, the Foreign Minister, General Gur said the UN could not possibly control the border. "In all history, the UN was never able to do the job without an agreement between the parties involved."

Optimistic forecasts on Friday

that the Israeli troops were in control and only engaged in mopping up operations, looking for small groups of Palestinians in hiding, were proved wrong yesterday.

Throughout Saturday, heavy artillery duels took place between Israeli artillery emplacements and the positions of Palestinian rocket launchers. Both the Israeli Air Force and the Navy were in action, against the important communications centres at Rashidiya and the two large Fatah bases on the outskirts of the southern Lebanese port of Tyre, which has for years provided the staging post for these bases.

Another target was the coastal road running from Tyre to Sidon, crowded with northbound streams of villagers fleeing the battle area and with southbound reinforcements for Fatah and other Palestinian groupings in the area.

At the week-end the Mukhtar (Headman) of Tiblin, in the central sector of the front, and eight other villages in the area, decided to "ask for the protection" of the Israeli troops, according to the wording of the official announcement, rather than risk having their houses laid ruin. It cautioned other villages to follow this example.

Today's operations were on a smaller scale. Apart from the bombing of the Fatah base in the Rashidiya camp, operations centred mainly on house-to-house and hillside-to-hillside combat operations, with the Israeli group advancing from east to west so that the only escape route left to the guerrillas is the coastal road from north of Tyre to Sidon.

During the night, Israeli troops captured the important Palestinian stronghold at Akia, just south of the Litani. This cut off the main road for Palestinian reinforcements or withdrawal.

To feel the strains caused by the exodus. Several shooting incidents have been witnessed, as refugees attempt to move into blocks of flats and are thrown back by owners or tenants. With the Lebanese Government virtually powerless, the situation can only become more grave.

Lebanon is now being torn hopelessly in several directions, which adds to the sharp tensions that remain from the civil war.

Dr. Elias Shmuni, spokesman for Al Fatah southern command, said he thought it was Israeli policy to leave the road open to the north, so that the flood of refugees would add to the country's internal pressures. But he was also bitter about the attitude of the Palestinians' Arab partners.

Not one of those long Arab Governments has sent us anything not even food. They could at least do something, like tents for the refugees. They don't even offer that."

He thought that the people of Lebanon had only contempt for the Syrians and their troops. But he insisted that the Palestinian guerrillas were buoyant, and almost carried away by their own successes. They would continue fighting, he stressed and now had well-developed tactics of operating in groups of four, hitting the Syrian wherever possible and then withdrawing.

Should the Israelis decide to occupy Tyre, then it would become "our little Stalingrad," said Dr. Shmuni. However, he thought they might choose to flatten the city by aerial bombardment or to isolate it.

The Palestinians are all too obviously elated by their achievement in holding back a vastly superior force for so long in what is effectively their first-ever war against the Israelis, and by the conviction that they can sustain the battle for many days to come.

TEL AVIV, March, 19.

## Refugees flee north as bombing continues

By ROGER MATTHEWS

TYRE, Southern Lebanon, March 19.

ISRAELI two-pronged armoured thrust deeper into Southern Lebanon today was being met by vigorous resistance, but the fighting continued throughout the fifth day of the Israeli invasion.

Only a few hundred of the estimated 3,000 guerrillas in the area were believed to be involved today, a spokesman for the southern command of the Al Fatah guerrillas said, but no ceasefire would be accepted, and scorched plans to send in a UN peacekeeping force. The Palestinians' main anxiety was that the Syrians had 30,000 troops in Lebanon as part of the Arab peacekeeping force, would maintain their neutrality.

The immediate aim of the fresh Israeli advance seemed to be to cut off the city of Tyre. One Israeli brigade was edging forward up the coast road, and another was making some progress along the south-eastern route from the town of Tibnin, overrun yesterday. This could severely be described as a "mopping-up" operation.

Once the shelling and bombing of the area around Tyre increased this morning, thousands more refugees fled in panic from their homes. The road to the north became choked as they swelled the estimated 100,000 who have already abandoned their towns and villages.

From just south of here this morning, correspondents watched the Israeli assault. First two destroyers, clearly visible on the horizon, pounded the Palestinian camp at Rashidiya. This was followed by artillery hitting further inland, and then by a series of air strikes.

The Israeli jets, just visible as they wheeled out to sea before launching their bombing runs, appeared first to be striking the area around Jouyia. Columns of thick smoke rose

from the hills inland from Tyre, and the blast of heavy explosives rattled the windows of the International Red Cross centre where we were sheltering.

After a brief lull, the air craft returned again, this time trying to limit its casualties by using its vast air, naval and artillery power to try and silence even small Palestinian positions. The cost to the civilian position is thus becoming ever more tragic while relatively little

Make-shift tent camps for refugees fleeing the fighting in Southern Lebanon have been set up in Beirut and in the port of Sidon, writes Roger Matthews. The numbers of refugees has been roughly estimated at about 150,000, two-thirds of whom are from Lebanese villages within the region of the fighting. The rest are Palestinians evacuated from refugee camps in the South. Official Lebanese sources accused the Israelis of deliberate attempts to drive out the people of the south to put pressure on Beirut and the Palestinian leadership.

The refugees are concentrated in Beirut's Moslem quarters. Assisted by gunners, many have taken over empty apartments there.

damage is being done to the Palestinians capability for waging a traditional guerrilla war. The coastal road today was almost as frighteningly expressive of war as the Israeli bombing. Hundreds of cars loaded with bedding and suitcases, and packed with women and children, trudge, hunched in the back, towards the hills. The attack continued into the afternoon, and a Palestinian spokesman said later that a message had been monitored from an Israeli brigade commander calling for further air and artillery support.

The Israeli Government in

to concentrate on a road junction about a mile from the Red Cross centre. In just over an hour, 15 bombing runs were made, although it is doubtful whether the swiftly-moving groups of guerrillas were suffering many casualties.

When the bombing and shelling eased momentarily, heavy machine-gun fire could be heard from the surrounding hills. The attack continued into the afternoon, and a Palestinian spokesman said later that a message had been monitored from an Israeli brigade commander calling for further air and artillery support.

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## OVERSEAS NEWS

## Bert Lance accused of links with London bank

By JOHN WYLES

NEW YORK, March 19.

THE LONDON-BASED Bank of Credit and Commerce International has been employing Mr. Bert Lance, President Carter's former budget director, as an investment advisor since last October. It has arranged "substantial" personal loans for him too, according to a Securities and Exchange Commission complaint filed in a Federal Court in Washington DC.

The complaint, lodged on Friday, accused Mr. Lance of the Canaan Islands company which controls Bank of Credit and Commerce, and eight other associates, of violating Federal Securities laws.

The case was speedily settled yesterday by the defendants consenting to a Court order requiring them to put their relationship with the Bank of Credit and Commerce, Washington, holding company, on a new footing.

The form of settlement is common to many SEC suits and involves the defendants in neither admitting nor denying charges.

Nevertheless, SEC's complaint could add to the controversy surrounding Mr. Lance because it alleges that he breached an undertaking, given at hearings before a Senate committee last year that he would avoid any involvement in private banking while budget director.

This is the first time that any

allegations have been made about Mr. Lance's conduct while in office. Mr. Lance and his associates now control 29 per cent of Financial General's stock. The settlement with SEC involves International Credit and Investment and three Arab businessmen agreeing to make a tender offer for Financial General Bankshares "as promptly as practicable."

The three Arab businessmen, given this undertaking, are Sheikh Kamel Adham, the former Chief of Intelligence of Saudi Arabia, Faisal Saud al Fulaif, a Kuwaiti businessman, and Abdullah Darwish, an adviser to the Royal Family in Abu Dhabi.

These investors have agreed that if they make a tender offer for Financial General, it will be

at \$15 a share—the stock closed at \$11 on the U.S. Stock Exchange last Friday. They have also agreed to establish with Sheikh Sultan al Nahyan, the Crown Prince of Abu Dhabi, a \$1m. fund from which Financial General shareholders who sold to the so-called Lance Group, can file claims for reparations. Thus the \$15 approved by the Court could obtain the difference from this fund.

All of the defendants, including Mr. Lance, whose wife owns 13,000 shares of Financial General, have agreed not to sell or to transfer their shares until a tender offer has been successfully made or an agreement has been reached to sell the group's interest in the company.

## Court rebuff over U.S. coal strike

By JOHN WYLES

NEW YORK, March 19.

U.S. COAL MINERS who have been on strike for 103 days are no longer legally obliged to work under the Taft Hartley Act, following a court rebuff for a Government attempt to extend a temporary Order.

This was issued on March 9 and when the Government sought to have it extended for a further 11 days, Federal District Judge

Aubrey Robinson said that the miners "are not paying attention to what I do or say."

The judge also observed that the Government had failed to demonstrate that the strike was endangering the nation's health and security, but he gave the Government lawyers leave to ask for a permanent injunction on March 28.

## Pakistan tense after Bhutto move

By SIMON HENDERSON

ISLAMABAD, March 19.

TENSION remained high in Pakistan today following the sentence to death by a military court of Zulfikar Ali Bhutto, the former prime minister.

Mr. Bhutto, who was deposed by the military ruler General Zia-ul-Haq last July, was found guilty in the Lahore High Court of ordering the murder of an opponent three-and-a-half years ago.

Four other men, who carried out the ambush in which the politician escaped, but his father died, were also found guilty and sentenced to death.

All five have seven days to appeal to the Supreme Court and sources close to Mr. Bhutto indicate that he is preparing to do this. If the appeal fails, the President can commute the sentence of hanging to a prison term.

The ban on all political activities, and new hard penalties imposed at the beginning of the month, appear to have reduced any spontaneous mass reaction against the sentence from Mr. Bhutto's still numerous supporters.

Some medical colleges in the southern Sindh province had to send their students home when

demonstrations seemed likely, and both today and yesterday groups of youths in Lahore burnt tyres and threw bricks at the police.

In the capital everything was quiet today, after the demonstration in nearby Rawalpindi yesterday in which about 100 people took part and several were arrested. These were sentenced within hours by a summary military court to one year's imprisonment and 15 lashes.

Today, military police armed with sub-machine guns were helping local police to direct traffic, and other police contingents were waiting in police yards equipped with riot gear.

Reaction in the Press has been non-existent as a martial law regulation prohibits it. No newspaper commented editorially on the sentencing, which came as a surprise to many who had only been expecting a seven or ten-year prison term.

Mr. Bhutto's wife, the Begum Nawaz Bhutto, who has been leading his People's Party during his detention since last September, is being held incommunicado at her home in Lahore.

His 4-year-old daughter, Benazir, who will be party chairman if her mother is disqualified from politics, is also under house arrest 600 miles to the south in Karachi.

Leaders of the former opposition National Alliance, who led a campaign of agitation last year against Mr. Bhutto, when he rigged the March general elections, have also not commented publicly.

They were in the capital yesterday for discussions with the military but left for different parts of the country soon after the talks.

The murder case has been only one of several charges brought against Mr. Bhutto since his overthrow. Besides two counts of contempt of court and illegal detention, he also faces six charges of corruption and election rigging at a special court which had its initial hearing in Lahore a week ago.

When General Zia originally took over last July, he promised to hold elections in 90 days but in September Mr. Bhutto was arrested on the murder charge and by the end of the month the general had postponed elections indefinitely so that trials against him and other politicians could be completed.

Despite all the charges Mr. Bhutto has retained personal popularity and his People's Party has become the main opposition to the military Government.

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## Desai plan rejected by States

By K. K. Sharma

MR. MORARJI DESAI, the Indian Prime Minister, has been given a sharp rebuff by the Chief Ministers of the country's 22 States when they refused to approve the "rolling plan" for development for the period 1978-83.

The refusal to adopt the plan was implicit in the two-day meeting of the National Development Council, which ended today, when the Chief Ministers successfully insisted on another meeting of the Council in October.

Mr. Desai has so far refused to accede to the demand of the States, now ruled by at least five different political parties, for a say in formulation of the plan, drafted by the Planning Commission of which he is the head.

The Chief Ministers thus used the meeting of the National Development Council, the country's supreme economic policy decision-making body, to stall his efforts to push through the Janata Party's development strategy.

Chief Ministers, led by Mr. Jyoti Basu, of West Bengal, protested against the manner in which the central government was trying to foist the policy document on them. They said this had been received by them just a week ago, giving them no time to study it.

Ministers also took the opportunity of the Council meeting to have the first debate on the demand of some States for greater autonomy. Apart from Mr. Basu, the demand for greater autonomy, particularly in respect of financial powers, and formulation of economic policy, came from Kashmir's Sheikh Abdullah, Punjab's Sikh Akali Party Prakash Singh Badal, and even from some Janata-ruled States like Bihar. States ruled by Mrs. Indira Gandhi's Congress (I) such as Karnataka and Andhra joined them.

The "rolling" plan, which involves an investment of around \$700m. in the next five years, will not be stopped by last week-end's action since the annual plan for the first year has already been approved by the States in individual meetings they held with the Planning Commission earlier in the year.

But the broad development strategy for the next five years and the perspective plan for the next 10 years has not been formally endorsed.

Although the debate was on a low-key and the confrontation between the central Government and the States did not erupt as explosively as it could have, the States made it clear that the central Government could not take them for granted.

## Jordanian envoys on Arab tour

By Rami G. Khouri

AMMAN, March 19.

THREE SENIOR envoys of Jordan's King Hussein fanned out throughout the Arab world today in a fresh bid by Amman to forge a semblance of Arab unity to confront the Israeli occupation of southern Lebanon.

Mr. Abdul Hamid Sharaf, Chief of the Royal Court, has left for talks in Damascus with Syrian President Hafez Assad, and it was not ruled out here that he would also confer with leaders of the anti-Sadat Steadfastness Front who were also scheduled to meet in Damascus today.

Mr. Amer Khammash, Minister of Court, is flying with messages from King Hussein to the leaders of Bahrain, Qatar, the United Arab Emirates (UAE) and Oman, while Mr. Hassan Ibrahim, Minister of State for Foreign Affairs, went to meet President Sadat in Cairo this morning.

Mr. Ibrahim will later travel on for similar meetings with the leaders of Libya, Algeria, Tunisia and Morocco.

It is also planned that Mr. Mudar Badran, the Prime Minister and Foreign Minister will travel to Saudi Arabia and Kuwait later today or tomorrow morning for talks with their leaders, the Financial Times has learned.

This is a concerted Jordanian effort to have the Arabs put aside their disagreement and gather for an urgent Arab summit to draw up a coherent political and perhaps a military strategy to counter the Israeli invasion of southern Lebanon.

Five hanged in Cairo

CAIRO, March 19.

FIVE LEADERS of a Moslem extremist group which killed a former Egyptian Minister last year were hanged today, the official Middle East News Agency said.

A military tribunal sentenced the five to death last November after convicting them of involvement in the July kidnap and murder of Dr. Mohammed Hussein Zahabi, ex-Minister of Wafta (Religious Endowments).

Among the five were Chukri Ahmed Mustapha, head of Takmil Wal-Hilja—"the Society for Repentance and Flight from Sin"—and four of his lieutenants.

Reuters

## Guerilla reinforcements arrive

By ISHAN HIJAZI

BEIRUT, March 19.

PALESTINIAN guerrillas have received reinforcements in men and arms during the past two days which have helped them keep up what Palestinian sources now call the "war of attrition" against Israel in southern Lebanon.

The Syrian-backed guerrilla group As Salqa has boosted its ranks to over 300, they are all confronting the Israelis. They bought with them some heavy weapons such as rocket launchers and mortars, according to informed sources.

Iran has sent arms and ammunition to the guerrillas, sources said. The Israeli "peoples army," formed of 17,000 militiamen, has offered to send volunteers to southern Lebanon.

Two thousand members of this army had fought here during the Lebanese civil war 18 months ago, the fighters returned to Baghdad at the end of the war.

According to the same sources, Mr. Yasir Arafat, the PLO chairman, has sent a message to President Sadat of Egypt asking him to ship the Ain Jalout brigade

of the Palestine Liberation Army to Lebanon. The brigade, formed of about 1,500 men, was in Lebanon during the civil war, but returned to Egypt a year ago. Informed sources believe President Sadat will wait until his national security council meets. The meeting is now scheduled for next Saturday.

Analysis sees Syria's position in this matter as crucial. With the Israelis blocking guerrilla sea routes to the ports of Tyre and Sidon in southern Lebanon, Syria offers the only supply line for the Palestinians.

President Hafez Assad in a speech yesterday warned that Israel and the world ought to expect the resistance in southern Lebanon to escalate if the Israelis refuse to withdraw from southern Lebanon.

He declared also that Syrian territory and airspace were open to any Arab country wishing to send assistance to the Palestinian guerrillas.

As the fighting in southern Lebanon entered its fifth day

today, it was coming dangerously close to where Syrian troops were based. Syria maintains 30,000 soldiers here as part of the Arab peace-keeping force. Some of these units are stationed about 15 miles north of the Israeli border.

Reports in the Press today said that Mig fighter planes of the Syrian air force have thrown an air umbrella over Syrian troops stationed in Lebanon. An official announcement a few days ago said Syria was to provide air defence for the Arab peacekeepers here.

Mainwile, right-wing Lebanese are afraid Lebanon may be turned into an arena for an Arab-Israeli war. Such leaders as former President Camille Chamoun and Phalangite party chief Pierre Gemayel have demanded that both the Israelis and Palestinians must be kept out of south Lebanon. Other right-wingers have called on the Government to abrogate all agreements with the PLO and not to allow Arab military reinforcements.

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## ITALY'S 'RED BRIGADES' GUERRILLAS GO ON TRIAL

# A major test for the State

**Winnersh, Wokingham, Berks RG11 5AB. Tel: Wokingham 784774**



## WORLD TRADE NEWS

## Agreement reached on Brazilian steel project

BY DIANA SMITH

RIO DE JANEIRO, March 19.

A MEMORANDUM of agreement has been signed in Brasilia by representatives of Brazil's steel agency, Siderbrás, Japan's Kawasaki steel and the Italian state-controlled Finisider.

This ratifies the joint venture formed in 1976, and decrees that production at their new Tubarão steel works in Espírito Santo state north of Rio de Janeiro will begin on August 1, 1982.

The agreement was signed after two days of intense bargaining over the quotas of semi-finished steel plates to be absorbed by each partner and over control and terms of financing for the initial investment of \$700m. (revised upward during the meetings from \$613m.). The total Tubarão budget is \$2.6bn.

Because of the difficulties of Japan's steel industry, Kawasaki Steel is to absorb its full 20 per cent quota for the first three years of production. A compromise has now been reached. Siderbrás will absorb the half of Kawasaki's 20 per cent quota and half of Siderbrás's 20 per cent, thus increasing its own

## Iron ore deal signed

BY OUR OWN CORRESPONDENT

RIO DE JANEIRO, March 19.

BRAZIL'S MINERAL conglomerate Companhia Vale do Rio Doce (CVRD) and Japan's Nippon Steel have signed a new contract under which CVRD will supply a total of 85m. tonnes of iron ore over a period of 15 years.

Prices will be renegotiated every two years until the contract expires. At current prices quota and half of Siderbrás's 20 per cent, thus increasing its own

Meanwhile, CVRD has begun negotiating with the Mineral and Metal Corporation of China, and a CVRD mission expects to visit Peking in July this year to complete the negotiations. CVRD hopes to supply part of the 10m. tonnes of iron ore China will need from mid-1980 on when the Shanghai steel mills it is building with the assistance of Nippon Steel go into operation. China apparently wishes to diversify its sources of supply of iron ore.

## Holland awaits Iran order for frigates

BY CHARLES BATCHELOR

AMSTERDAM, March 19.

IRAN is "almost certain" to place an order for eight frigates with Holland's largest shipbuilding group, Rijn Schelde Verolme. The order is expected to be placed shortly when the final details have been agreed, Mr. Karel Beyer, State Secretary at the Economics Ministry, said on his return from a visit to Iran.

RSV, and the smaller Dutch yard, Van Der Giessen-De Noord, said earlier this month they were seeking marine orders in Iran. But they described German Press reports that Holland stood to take Fls.2.3bn. of an order worth a total of Fls.10bn., as premature.

The eight frigates are only the first stage of the potential order which could later include other marine vessels, Mr. Beyer said.

There would be no problems involved in the granting of an export licence for the frigates.

The Dutch building group, Bredero, also stands a good chance of signing up a sizeable housing construction contract in Iran. The engineering company VMF-Stork may also get part of an order for small generators and a transmission system to take electricity to the countryside. VMF-Stork has just delivered a sugar beet processing plant to Iran.

Egypt is expected to hold a public tender for modernisation of its telephone network and Philips is expected to put in an offer but competition, in particular from the Swedish group Ericsson (which is already in a strong position in Egypt) will be tough, Mr. Beyer said.

## Australia-EEC stalemate

CANBERRA, March 19.

AUSTRALIA has reached a political impasse with the European Economic Community over the Common Market's trade barriers, a senior Government Minister said here.

Mr. Vic Garland, Minister for Special Trade Relations, who recently visited Brussels and other European centres in an attempt to persuade the EEC to open its market to Australian exports, said Australia now has a current account balance of payment deficit with the European Community of \$A1.9bn. (\$2.2bn.).

"We have reached a political impasse with the EEC and whether we like it or not it has to be dealt with in a political way," he said.

"The European must have to be cracked from the top. We have to crack the total structure," Mr. Garland said. When the EEC expanded from six to nine members everyone had acknowledged that Australia needed to seek new markets for its products.

"But nobody in Parliament anticipated the severity of the effects on our trade with the EEC," he said.

"And surely, nobody thought that EEC would compete with us through its heavily subsidised agricultural surpluses in those new markets to which we have turned."

Mr. Garland described as "ominous developments" measures by the EEC that could exclude imports except from countries which negotiated an agreement on prices and quotas.

Reuter

## Athens bus purchase

Greece 10-day bought 300 buses worth \$14.5m. from Hungary to meet the public transport needs of the greater Athens area. Our Own Correspondent reports from Athens. The buses will be paid for with Greek products including citrus fruits, juices, textiles, plastics, raisins and iron and steel products. The first 100 buses will be delivered in July, the rest in August.

## World Economic Indicators

	INDUSTRIAL PRODUCTION 1970=100					% Change on year
	Feb. 78	Jan. 78	Dec. 77	Feb. 77	Jan. 77	
U.S.	132.8	132.2	133.2	127.1	127.1	+4.5
U.K.	102.9	102.3	101.4	103.2	103.2	-0.3
Italy	122.4	113.2	124.5	126.3	126.3	-3.1
W. Germany	109.4	115.6	124.9	106.5	106.5	+2.7
Holland	129.0	125.0	126.0	131.0	131.0	-1.5
France	123.0	127.0	122.0	125.0	125.0	-1.6
Belgium	119.5	117.5	118.1	126.0	126.0	-4.8

## Appeal on Italian import curbs rejected

LUXEMBOURG, March 19.

THE EUROPEAN COURT of Justice has rejected an inadmissible complaint by a number of importers against a Commission decision to limit imports of Japanese-made motorcycles to Italy, a spokesman for the court said.

None of the five complainants had been directly and individually concerned and their complaints could have been dealt with only if they had been denied any import licences, the court argued.

The complainants were identified as Unions Nationalistes Importateurs Commerciaux Moto-Vehicules Esteri (UNICE), IAP Industriale, Yamoto Italia, Suzuki Italia and Kawasaki Motor Italia.

They had called on the court to declare void the import limitation to 15,000 units in 1977 of Japanese-made motorcycles with a motor capacity of over 380 cubic centimeters to Italy, a regulation which the EEC meant to decide to continue through the first half of 1978 at the same annual rate.

The import restriction was approved by the Community after a year after Japanese importers and distributors allegedly made it difficult for Italian-made skibikes to enter the Japanese market.

In rejecting the complaints, the court referred to Article 173 of the Treaty of Rome stipulating under which conditions natural or legal persons can appeal against a Community decision to the court.

## Korea to build new petrochemical plant

SEOUL, March 19.

SOUTH KOREA plans to build its third petrochemical complex, estimated to cost \$2bn., with work beginning next year, to meet growing export and domestic needs, the Commerce and Industry Ministry said.

The complex, led by a naphtha cracking centre with an annual production capacity of 350,000 tons in terms of ethylene, is planned to be completed by 1983 at a site yet to be chosen, the Ministry said.

An official said that as in the first and second complexes, foreign investment will be allowed for the third one, although potential foreign investors have yet to emerge.

One existing complex is located at Ulsan, 180 miles south of here and Gulf Oil has invested in a naphtha cracking centre, the core of the complex, with an annual ethylene capacity of 150,000 tons.

The second one, to be built at Yochon, 220 miles south of here, for completion next year at a cost of \$1bn., includes a 350,000-ton naphtha cracking centre and a dozen downstream plants.

Dow Chemical and Japan's Mitsui are major foreign investors in the second complex. AP-DJ

The Asian Development Bank has made a \$50m. loan to the Korea Development Bank for lending to private industries during the next two years.

President Park Chung-hee's Government guaranteed the loan, which the ADB said is to augment the KDB's foreign exchange resources so it can meet with the medium- and long-term credit requirements of the ultimate borrowers.

The loan is to be repaid in 15 years, including a three year grace period, at an annual interest rate of 7.65 per cent.

AP-DJ

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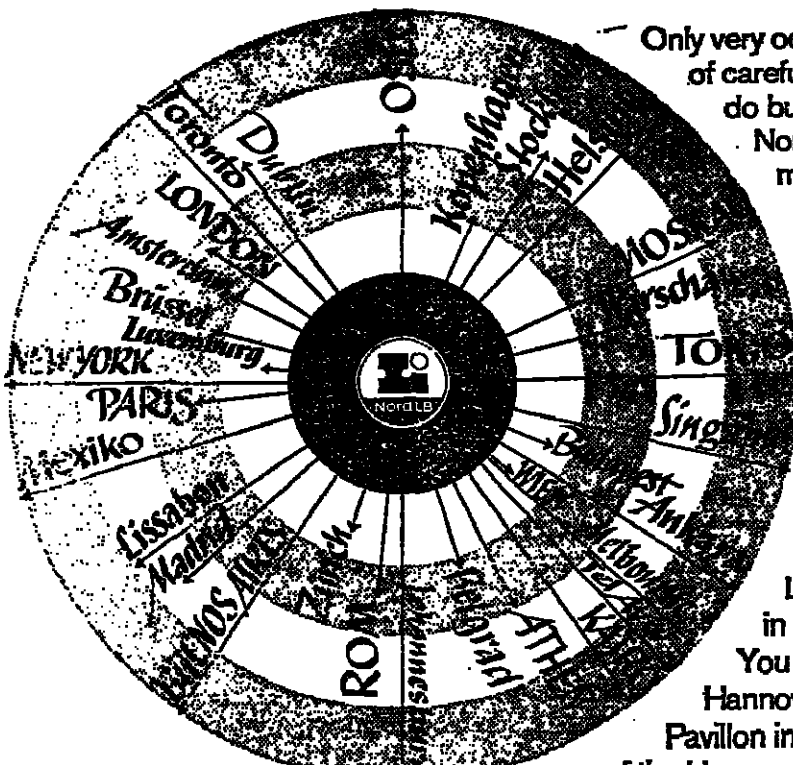
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## Good luck in Germany



Only very occasionally is success a matter of luck. It is usually the product of careful planning, good contacts and individual talents. So if you want to do business successfully in Germany, you should think seriously about Norddeutsche Landesbank — called Nord LB for short — when you make your plans. We can offer not only financial support and know-how but also the essential contacts with companies and official bodies everywhere in Germany, and particularly in Lower Saxony.

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Let us work together, then! If we do, when we wish you 'Good luck in Germany', it will not only be a wish, but a promise.

You will find us in Hannover and Braunschweig in the city, at the Hannover-Laatzen trade centre in Bankendree and in the Niedersachsen-Pavillon in Stahlstraße/Mannheimer Straße as well as in the service section of the Hannover-Langenhagen airport.

# Norddeutsche Landesbank

## Girozentrale

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مكتبة النور



## HOME NEWS

### Labour confident of holding Scottish seat

By Ray Porman, Scottish Correspondent

THE LABOUR Party in Scotland ended its annual conference in Dundee yesterday in subdued mood, but confident of holding the Glasgow constituency where a crucial by-election is due next month.

Mr. Michael Foot, Lord President, is expected to move the vote for the election to-day, with polling expected on April 13, two days after the Budget.

Until recently party officials in Scotland were sceptical of the chances of holding off the challenge from the Scottish National Party in the campaign.

They now feel confidence in the Government's policies for reducing inflation and tackling unemployment will be enough to ensure victory.

Although some resolutions critical of the Government were passed by the conference—against executive advice—it was clear delegates were aware of the need to preserve unity while the campaign was in progress.

This was particularly clear in the major debates of the conference on devolution and the economy.

**Demands**

There were demands for the nationalisation of all companies threatening redundancies and for a £100m. shipbuilding intervention fund to be established with the compensation money due to be paid to the former owners of yards.

But militants were muted in their attacks. An attempt to gain a debate on the Cabinet decision to defer the shipbuilding intervention fund to be established with the compensation money due to be paid to the former owners of yards.

Mr. Callaghan gave no hint on the timing of the devolution referendum, but implied that he did not regard an October general election as certain by saying that he was looking at the legislative programme for the session of Parliament beginning in November.

Mr. Donald Dewar, Labour's candidate at Garscadden, topped the voting for the Scottish Party executive. The Marxists failed in their attempt to gain seats and two left-wing members of last year's executive lost their places to moderates.

Mrs. Janet Buchanan, 51, wife of Mr. Norman Buchanan, Left, wing MP for West Renfrewshire, is the new Party chairman. Mr. Sam Giddings of the Transport and General Workers' Union has been elected vice-chairman.

Men and Matters, Page 12

### Electricity bad debts up to £5m.

Financial Times Reporter

BAD DEBTS were rising three times faster than revenue, the London Electricity Board said at the weekend, when announcing a 23 increase in quarterly bills for home electricity.

Bad debts rose from £2m. to £5m. in 1977-78 and were now one of the most worrying aspects of the Board's financial situation, Mr. Alan Plumpton, chairman, said.

Since the early 1970s, bad debts had risen ten-fold compared with tripled sales revenue, and the Board blamed the jump on higher fuel costs, and the floating population.

The average cost of electricity will go up by 6.4 per cent. in line with the average increase of 5 per cent. The first bills at new rates for quarterly consumers, who will pay 6.9 per cent. more, will go out from July.

Basic prices for off-peak and night rates have been raised by 10 per cent. under Price Code rules, but they had been kept down to benefit the consumer, the Board said.

This would, the owners hope, eliminate the queues of very large crude carriers anchored in the Persian Gulf in the hope of receiving spot cargo. It is the presence of such queues, about

## Shore threatens new cut in home funds

FINANCIAL TIMES REPORTER

MR. PETER SHORE, the Environment Secretary, said yesterday that he would consider a further restriction of funds for home loans if the rise in house prices did not moderate over the next few months.

Mr. Shore said during London Weekend Television's London Programme, that the recently announced 10 per cent. cut in mortgage programmes had been necessary to prevent a boom in house prices.

"As far as I'm concerned, the key is the supply of building society money. That is why we have set up a joint committee to regulate or supervise the flow of building society money, so that on the one hand we do not have a famine as in 1974, or an enormous quantity of money which can result in too much building society money being lent to too few houses, and pushing their prices up."

If the Government's move to restrain the flow of funds proved ineffective, he would have to take further measures.

"My own instinct would be to act further on the supply of money, because 70 per cent. of all houses are bought in this country with borrowed money

from building societies. If the building societies are not making the money available, there cannot be an explosion of prices."

Although a moderate rise in house prices of about 12 per cent. in the year, was acceptable, an inflationary psychology developing in the market was not.

"People are holding back their houses from the market because they have this inflationary expectation. They presumably thought we would just stand by and let increased prices carry on, and the money supply would rise to the level that prices required."

"But now they know that that is not going to happen. And I think that is going to effect quite severely and properly their expectations."

A reduction in mortgage funds would not result in a cut in new house-building programmes. "I don't believe that any study in the last ten years really shows that there is any correlation between rising house prices generally and the number of new houses being built."

During the 1960s, when the largest number of houses was

being built, prices were rising at only 6 to 7 per cent. a year.

"The latest figure we have shows that new starts are increasing. Indeed, they are well up on what they were this time last year."

Shortage of sites would not be a hindrance to new building either. "All the evidence we have shows that there is about five to six years' supply of building land with planning permission available now."

Earlier this month, the building societies bowed to Government pressure by agreeing to cut £70m. a month from their lending programme. This cut, which starts next month, is the equivalent of 1,400 home loans a week.

Insurance companies and banks have been asked to ensure that their lending programmes do not frustrate the aim of restraining the funds available.

The building societies recently agreed with the Government on a lending programme of £730m. for the first half of the year. Most societies opposed the Government's suggested cut in this programme, but they have agreed to go along with the move. The £70m. a month reduction will run until the end of June.

### Companies given loans totalling £570,000

By Robin Reeves, Welsh Correspondent

THE WELSH Development Agency has announced aid to six companies totalling £588,000. This brings the agency's assistance to Welsh businesses to almost £7m.

The latest aid package is expected to create 200 jobs. A loan of £174,000 for Gwent Packaging will help it to expand into making heavy duty cardboard containers at Bedwas.

Tecweld of Brynmawr, which makes and repairs lock gates, is getting an expansion loan of £95,000 towards the cost of fabricating shop and Ethelene Products of Rhymney, a loan of £100,000 towards the cost of equipment for making wide polythene sheeting.

The Cwmbran toothbrush factory of Libby Products will receive a loan of £50,000 for machinery and working capital to make multi-tuft toothbrushes for an American group's U.K. and Belgian subsidiaries.

In rural Wales, Chanter Carpets is being given a £100,000 loan to expand production of tufted carpets at Newtown. Powys Lammeter Timber and Trading, a Dyfed sawmilling business, is increasing its output of wooden pallets for industry with the aid of a £50,000 loan.

**Machinery**

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**Bank visitor**

MR. ALKHIMOV, chairman of the Russian State Bank, flew to London at the weekend for a short visit at the invitation of the Bank of England. It is an exchange visit for the trip to Moscow last May by Mr. Gordon Richardson, Governor of the Bank of England.

**Joint coach express plan for Europe**

NATIONAL TRAVEL, the nationalised coaching company with the largest vehicle "pool", and Wallace Arnold Tours, Leeds, the largest private enterprise operator, have agreed to develop jointly international express coach services to France, Italy and Spain.

They say this will help the travelling public, clarify the U.K. position with foreign interests, and assist rationalisation of marketing and elimination of unauthorised services.

National Travel has run express services in Europe since 1973 in association with the Europabus organisation, to Amsterdam, Paris, Brussels, Belgrade and Athens.

Wallace Arnold Tours has run a through-service from London to Paris, Lyons, Geneva, Turin, Florence and Rome since last April in collaboration with French and Italian coach-operators.

1977 the frequency on this route was once a week. A frequency of three times a week is planned for this year.

Both bodies have received Government approval to seek authorisation for additional, differing routes to Brindisi.

Mr. Malcolm Barr, chairman of Barr and Wallace Arnold Trust, and Mr. Frank Pountain, chairman of National Travel, say they hope to extend the scheme to other European countries.

**Mine to close**

THE METAL BRIDGE drift mine at West Cornforth, Co. Durham, is to close in the summer because of limited coal reserves. Some of the 370 workers will be offered jobs at other collieries.

## Cheap U.S. fares plan makes a good start

BY JAMES McDONALD

AIRLINES yesterday reported an encouraging start to the introduction on Saturday of the cheaper stand-by fares between Britain and the U.S.

British Airways said there was no flood of applications, probably because of the short notice given to the public and because this was not the peak travelling season.

But it sold about 300 cheap stand-by tickets on Saturday and Sunday on its flight to New York, Boston and Detroit. Under the scheme British Airways is limited to about 1,000 stand-by tickets a week on the New York route, and to 350 tickets on other routes.

"The response has been quite up to our expectations," by yesterday afternoon Pan American had received about 170 applications for stand-by tickets for its flights in New York at the weekend. Only about six tickets were sold for each of Boston, Detroit and Washington and about 15 for the West Coast of the U.S.

British Caledonian Airways said: "We are quite happy at the start of the scheme." It is offering stand-by fares between London and Houston. "Out of three flights, two out to Houston and one back to London, we sold 25 stand-by seats out of 30-40 seats available."

The cheaper fares—instigated by Mr. Freddie Laker's Skytrain project—were approved by President Carter last week against the wishes of the British Government, which feared fare cutting could lead to the bankruptcy of some airlines.

Stand-by fares offered by British Airways from eight U.S. cities to London range from \$143 from Boston to \$227 from Los Angeles and San Francisco. Sterling fares from London are slightly less.

The British Airways routes cover New York, Washington, Philadelphia, Boston, Detroit, Chicago, Los Angeles and San Francisco.

On a cost-per-mile basis the cheapest stand-by fare seems to be offered by British Caledonian—a £69 "eleventh hour" fare from London to Houston.

**Borg Warner subsidiary 'about breaking even'**

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

BORG WARNER'S U.K. transmission company is now "just about breaking even" again after a difficult time since the oil crisis, according to Mr. Russell Beards, managing director.

The U.K. company, a subsidiary of the U.S.-based Borg Warner group, was hit hard by the oil crisis which led to a drop in demand for automatic transmissions.

Its workforce, now standing at 2,100 was trimmed by almost 400 during 1975-76, and the company's two plants at Letchworth, Herts, and Kenilworth, South Wales, are now operating at only about 55 per cent. capacity.

"We stubbed our toe in Europe because we built facilities beyond the scope of the market," Mr. Beards said.

The company's strategy in the immediate future is to diversify from its main automatic transmissions business into related fields, such as four-wheel drive mechanisms.

In the longer term, it believes it is well placed to take advantage of the trend towards electronically-controlled transmissions.

Mr. Derek Gardner, the company's engineering director, and the designer responsible for the six-wheel concept in Grand Prix racing, says that the increasingly stringent statutory requirements on pollution and energy saving will demand electronically-controlled cars.

## National Savings receipts drop

By Adrienne Gleeson

NATIONAL Savings continued to do well in the four weeks to the beginning of March—but not quite as well as in the preceding five-week period. Net receipts dropped from the "excellent" £194.7m. to £116.6m., suggesting that the recent small increase in retail sales has started to bite into savings.

It was the National Savings Bank's receipts which dipped most noticeably, adjusted to a comparable basis. Net receipts in the ordinary department, which amounted to £26.7m. over the five weeks to the beginning of February, amounted to £18.8m. in the four weeks to the beginning of March and receipts of the investment department dipped from £47.4m. to £30.8m. Receipts of the ordinary department were still the second highest over such a period.

The National Savings Bank's performance for the year so far in fact looks remarkably healthy, with net receipts of the investment department totalling £750.6m., while those of the ordinary department amounted to £741.1m. At the corresponding point last year (there had been withdrawal) £714.9m. and £51.4m. respectively.

Longer term savings have continued to do well, with the amount invested in British Savings Bonds up by 11.8m. during the month, while £37.3m. was put into National Savings Certificate issues—other than the index-linked retirement issue, where net receipts amounted to £11.2m. The fact that inflation is into single figures evidently has not deterred investors from this index-linked purchase.

Tal'ne in accrued interest, the amount invested in National Savings increased by £192.3m. during the four-week period, bringing the total for the year so far to £1,750m., compared with the £1,770m. invested in National Savings at the beginning of March 1977, this year there was £9.91m.

**Porsche Cars doubles turnover**

Financial Times Reporter

PORSCHE Cars Great Britain, the importing agency for the German sports car maker, more than doubled turnover from £4.3m. to £9.3m. in the financial year ending February.

The company sold 1,068 cars in this period, which included the launch of the 3-litre 924 model. Sales are likely to be boosted this year by the addition of the 928 model.

BMW will increase its U.K. prices by about 5 per cent. in the recent strength of the D-mark is blamed.

Swan National has placed orders worth £24m. for its car rental fleet for 1978. Ford takes the bulk of the 7,500 vehicles with orders for £20m., with £3m. for Vauxhall and £1.5m. for British Leyland.

**Shoe deliveries increase to 15.2m. pairs**

By James McDonald

SHOE manufacturers delivered 15.2m. pairs during November last year, 4.1 per cent. more than in the same month of 1976. In the 12 months to the end of November, deliveries rose 5.2 per cent. at 164.1m. pairs.

The value of deliveries in November was £57m., 27.2 per cent. up on the November, 1976, figure, and the 12-month running total was 25 per cent. higher than in the previous 12 months, at £581.7m.

## Employers waiting till deadline to quit State pension scheme

BY ERIC SHORT

EMPLOYERS ARE leaving it to the last minute before making arrangements to get out of the new State pension scheme.

The Occupational Pensions Board has reported more than 3,000 applications last week from employers to contract out of the scheme, bringing the total number of applications to date to 13,400.

The deadline for applications is this Thursday and the Board expect about 16,000 employers to opt out of the State scheme. It would appear likely that a further flood of applications will occur in this last week.

The Social Security Pensions Act, 1975 sets out the terms of the new State pension scheme which starts on April 6 this year.

This provides for an additional earnings-related pension to the present basic flat rate one. The National Insurance contribution rates, excluding the sur-

charge, are being increased from 14½ per cent. to 16½ per cent. for employers and 10 per cent. for employees.

But employers have the option to come out of the State scheme and provide this additional pension through a company scheme, getting a 7 per cent. rebate on N.I. contributions—2½ per cent. for employers and 4½ per cent. for employees.

**Contributions**

But they must submit their applications by March 23 to pay these lower contributions from April 6.

Otherwise, employers will have to pay the higher rate, not only on their own contributions but possibly on their employees' as well.

This will be in addition to paying for the company pension scheme.

utilisation (also only half that of the private companies). The total value of sales by the 60 companies increased by 35 per cent. in the three years. But the conclusion is drawn that the price increases in the period were not sufficient to maintain profitability. Pre-tax profits fell, on average, by 24 per cent.

Inter Company Comparison says that the 10 most profitable British steelmaking companies in the three years were: Brynabo Steel Works, A. E. Smith and Son, Fifehead, Hillfoot Steel (Forgers), Midland Bright Group, Darlington and Simpson Rolling Mills, Brumtons (Musselburgh), L. A. Hutton and Company, The District Iron and Steel Company, and GKN Somerset Wire.

**State steel management 'behind private sector'**

BY ROY HODSON

THE CLAIM that British Steel Corporation has been "out-managed" by the private sector of the British Steel industry is made in a new survey published by Inter Company Comparison.

An analysis of 60 of the leading private sector steel companies over a three-year period to last April concludes: "British Steel's performance was markedly worse than that of the private sector."

While the corporation had made losses of nearly £30m. in the three years, nearly all the private sector steelmakers were in profit.

British Steel had also been out-managed in areas such as stock turnover (half that of the private companies) and capital

## Joint coach express plan for Europe

NATIONAL TRAVEL, the nationalised coaching company with the largest vehicle "pool", and Wallace Arnold Tours, Leeds, the largest private enterprise operator, have agreed to develop jointly international express coach services to France, Italy and Spain.

They say this will help the travelling public, clarify the U.K. position with foreign interests, and assist rationalisation of marketing and elimination of unauthorised services.

National Travel has run express services in Europe since 1973 in association with the Europabus organisation, to Amsterdam, Paris, Brussels, Belgrade and Athens.

Wallace Arnold Tours has run a through-service from London to Paris, Lyons, Geneva, Turin, Florence and Rome since last April in collaboration with French and Italian coach-operators.

1977 the frequency on this route was once a week. A frequency of three times a week is planned for this year.

Both bodies have received Government approval to seek authorisation for additional, differing routes to Brindisi.

Mr. Malcolm Barr, chairman of Barr and Wallace Arnold Trust, and Mr. Frank Pountain, chairman of National Travel, say they hope to extend the scheme to other European countries.

**Mine to close**

THE METAL BRIDGE drift mine at West Cornforth, Co. Durham, is to close in the summer because of limited coal reserves. Some of the 370 workers will be offered jobs at other collieries.

## Tanker-owners seeking consortium

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE WORLD'S independent oil-tanker-owners hope to announce shortly formation of what they call an orderly marketing consortium, by which they mean a device to reduce tonnage artificially in certain markets, and so push up freight rates.

Plans are going ahead for establishment, probably in Holland, of a tanker-chartering company called International Tanker Services.

This company, to be run by a committee of shipowners, would aim to charter about 40m. deadweight tonnes of tankers over 200,000 d.w.t. from owners in Japan, Greece, Hongkong and Scandinavia, and release such vessels only when the market was prepared to pay a rate deemed fair by the owners.

6m. d.w.t. in all, that plays most heavily into the oil companies' hands in beating down rates.

Scandinavian owners have sought support for the International Tanker Services consortium for about a year, but according to reliable sources at last week's conference of independent tanker owners at Eastbourne, owners in Japan, Hongkong, and Greece have indicated support in principle.

About 30m. d.w.t. of tanker capacity is already firmly committed to a scheme by Scandinavian owners, and support from companies like Japan Line, Sanko, NYK, Nippon Yusen, and Onassis would give the scheme the volume of tonnage it needs to influence the market significantly for large ships.

Mr. Einar Naess, chairman of the tanker owners' group, Inter-tanko, which has given unofficial backing to the scheme, said he believed International Tanker Services would soon become a reality.

There was no question, he insisted, of owners attempting to push rates back to the boom levels of 1973.

Leaders of the proposed company's steering group have spent the last three weeks touring the Far East in search of support. They say their aim is to lift rates for VLCCs out of the Gulf from around Worldscale 30, to at least allowing owners to cover operating, though not capital, costs.

Inter-tanko estimates that last year tanker-owners lost \$450m. collectively. This is expected to rise to \$750m. this year.

Mr. Naess said that unless some way could be found of raising freight rates in the near future, all but a handful of the largest tanker owners would go bankrupt.

Alternatively Governments might choose to shore them up in the way that the Norwegian Government had already supported its shipowners.

When a woman applies for a training course with a company she must not be discriminated against on the grounds of sex or marriage. Nor must she be discriminated against whilst she is taking the course. Discrimination against men is also unlawful.

Employers can, however, discriminate in favour of their employees of either sex in one area of training. Where, over the last year, one sex has predominated in a particular job, employers are allowed to provide access to training facilities for the opposite sex. They can lawfully encourage women only or men only to apply for the work. Once training is completed employers must recruit or promote the best candidates regardless of sex.

We realise the law is complex. So to help you, we've written two booklets:

**Equal Opportunities—A Guide for Employers**

The employment provisions of the Sex Discrimination Act explained in straightforward language.

**Equal Opportunity Policies and Practices in Employment**

Practical advice on implementing the Act in your business.

Send for and read these booklets and you will have the best general advice available on the Act. Of course, if you have any particular problems we'll be pleased to give you all the assistance we can. All you have to do is ring or write.

TO: Department CL, Equal Opportunities Commission, Overseas House, Quay Street, Manchester M3 3LN. Telephone: 061-633 9244.

Please send me the following publications in the quantities indicated:

— copies of "A Guide for Employers"

— copies of "Equal Opportunity Policies and Practices in Employment"

Name \_\_\_\_\_

Company \_\_\_\_\_

Position \_\_\_\_\_

Address \_\_\_\_\_

**Equal Opportunities Commission**

FT6



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## COMMUNICATIONS

### Makes a quick link

VIA Telephones of London, for a supermarket might be for National Panasonic is making the five check-out till operators available in the U.K. a loud-speaking intercommunication system which will allow up to 11 stations to be connected in a wide variety of ways.

There are five different types of unit-masters that can be connected to either five or ten other masters, a remote or "slave" unit that can be connected to only one master, a slave that can call or be called by two masters, and a system master supply unit.

Thus, a suitable arrangement

Or, in a busy professional practice, six partners might want a fully intercommunicating system so that each can call or be called by all the other five.

Alternatively, in a factory, it could be arranged that all the managers could speak to each other, while each could talk to one or more of his own staff.

More from 9 Connaught Street, London, W2 (01-723 7443).

## INSTRUMENTS

### Finds the frequencies

DEVELOPED and manufactured by Sharetree of Stroud, Gloucestershire, is a spectrum analyser covering the high frequency communications band up to 50 MHz.

Containing no frills, the model 477 is simple enough to be used by semi-skilled operators but is nonetheless built to good laboratory standards.

Centre frequency is adjustable between zero and 50 MHz and dispersion is selected by means of a six position rotary switch offering values between 100 kHz and 10 MHz. The sweep speed is continuously variable over two decades (20 ms to 10 s).

## DATA PROCESSING

### Laces stretch to Gatwick

BY THE autumn Gatwick Airport should be tied in with Laces—the London Airport computer scheme that cuts clearance time for imports at Heathrow to a matter of hours.

Laces—London airport cargo electronic data processing scheme—is used by 200 separate organisations involved in handling cargo landed at Heathrow. It operates 24 hours a day, seven days a week and is run by the PO's National Data Processing Service.

Operating Laces at Gatwick is expected to involve 10 visual display units, 10 character printers and a communications controller at the airport. The controller governs the access of VDUs to the Laces computer.

The service will be provided to Customs and Excise, two airlines—British Airways and British Caledonian Airways—who are already Laces users at Heathrow, and other airlines and forwarding agents.

### Maths suite from Scicon

A LIBRARY of numerical optimisation software developed by the National Physical Laboratory is to be offered by Scicon Computer Services under a recently signed agreement.

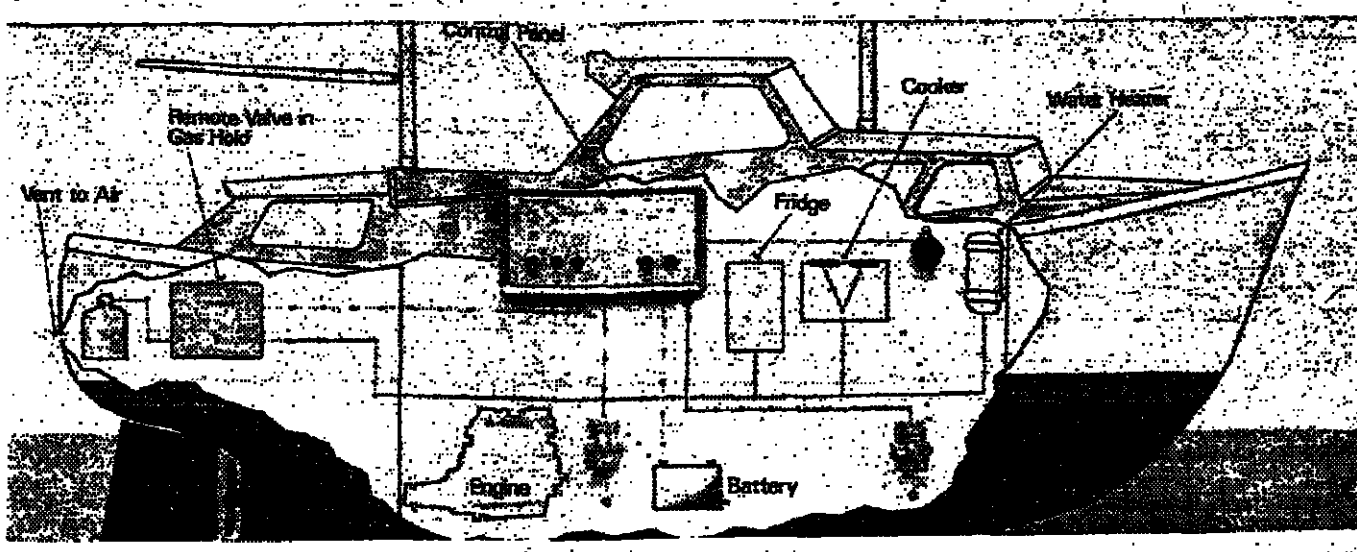
The suite of programs is the minimum of a function with one variable, and the computation of unconstrained non-linear least squares. These and other

programs can be used for problem solving from medicine to financial assessment.

Scicon will run the routines on its twin Univac 1108 machines at the Milton Keynes computer centre.

More from Brick Close, Kiln Farm, Milton Keynes MK11 3BJ (0908 585856).

## SAFETY



### Cuts off supply when gas leaks

DETECTION equipment for boats, lorries and caravans, designed and made by a British company, not only warns of gas and cuts off the supply at source but is also the first system of its type to be certified as intrinsically safe by the British Approval Service for Electrical Equipment in Flammable Atmospheres (BASEEFA).

Gas Sentry Mark 3 is built up from a control box connected to sensors mounted in the potentially dangerous areas and a remote shut-off valve inserted into the gas supply pipe at or near source.

As little as 2 per cent of a flammable gas mixed with air is a potentially explosive mixture. It is, therefore, tiny leaks which can be the most lethal since they are hardest to detect, and yet need the smallest spark to trigger off an explosion.

The instrument will detect minute quantities of hydrocarbons in the air, including methane, propane, butane and carbon monoxide. Sensitivity can be adjusted to detect concentrations as low as 0.3 per cent, although 0.5 per cent is the more usual requirement.

The sensors incorporate semiconductor devices which, when flammable gases are present in the surrounding atmosphere, rapidly increase in conductivity triggering the audible and visual alarm, and automatically shutting the remote valve. Additionally, potentially dangerous electrical circuits can be isolated by the remote control unit.

Regulation of the voltage and limitation of the current to the sensors prevents heat build-up and the production of a spark (which could occur in unsafe equipment).

At a time when compressed gas is increasingly being used on boats and when chartering is becoming big business on inland

waterways, the installation of such a system makes economic good sense.

Sweden will shortly insist that gas detection systems should be intrinsically safe as does the United Kingdom fishing industry. Gas Sentry Mark 3 is approved by the Department of Trade for use on fishing vessels, large motor cruisers and yachts.

More from Gondolastic, Birmingham, Pershore, Worcs. WR10 1BR. Evesham (0386) 750732.

### For safer loading

AN advanced sea-going intrinsically safe control system has been developed by Safety Technology of Feltham and is to be fitted to a large chemical tanker now being built by NKK shipyard in Japan for a Norwegian owner.

The system controls and monitors a series of solenoid valves which control larger hydraulic valves during loading and unloading of the cargo. Intrinsically safe for group 2B gases, the system makes use of a General Instruments CP 1800 microprocessor which, in view of the low signal levels employed, allows multiplexing to be applied in hazardous areas.

Sensors at valve points send signals to a common conditioning unit where they are multiplexed and sent back to the control room via opto-isolators and simple cabling. Here they are identified and displayed and control signals are sent back to the hazardous area in the same way.

The company is working on similar systems for use in other kinds of hazardous environment.

More from Twickenham Road, Feltham, Middlesex TW13 6HA (01-894 5511).

## TELEVISION

### Electronic colour camera

STEALING a march on RCA, among others, Sony Corporation has announced in Tokyo the development of a small-size colour video camera, based on new very large scale charge coupled device technology.

The charge-coupled device (CCD) contains about 110,000 elements on a single chip, and serves as the sensor for the camera, replacing a traditional pick-up tube.

The CCD camera is capable of producing a picture quality close to ideal, and provides reliability and stability far greater than current pick-up tube cameras, with camera size and weight reduced to that of an 8mm unit, and picture quality

that of current top range video cameras.

The new CCD chip measures 10.3mm by 9.1mm, with each element 36 microns by 13 microns, arranged in a matrix of 326 horizontal elements by 402 vertical elements, for a total of 131,192 picture elements.

The camera contains three chips, one for each colour and uses Sony's proprietary spatial offsetting technique, which allows a doubling of horizontal resolution.

The Sony Corporation says this is a development to prove the technology and that it has no plans to market the product at the moment.

## PRINTING

### Continuous litho plates

DIRECT IMAGE offset litho plates, in continuous form and available in a range of sizes, are said to be ideal for the computer user who requires multiple copies of computer based information and has access to a small offset machine.

The direct image plate replaces the multi-part continuous stationery in the line-printer on the computer. The single part plates may be plain or pre-printed, and the pre-printed image may be either reproducible or non-reproducible. A planographic coating on the plate prevents unwanted fingerprints or accidental marking.

It is claimed the printed result compares favourably with original line printing, and is better than fourth copy print-out or photo-copies. On the printer it is necessary to change to a litho ink ribbon, which can also be used for general output.

There are four grades of plate producing a guaranteed minimum output ranging from 50 to 100 copies. The continuous web will fit most print-out formats and small offset machines.

More from Darley Business Forms, Wellington Road, Burton-on-Trent, Staffs. DE14 2AD (0283 64936).

## ELECTRONICS

### Plotter is fastest

BENSON ELECTRONICS now making a drive in Britain, will be present at all four locations of the Computermart 1978 Exhibition in April and will be showing a selection of its automatic drafting machines.

Benson, which build over 30 varieties of flat bed and drum plotters will be showing the 1330 high-speed drum plotter, fastest in its range with a speed of up to 45 cm/sec.

The 1330 incorporates intelligence to handle both linear interpolation and character generation which has dramatically reduced the processing demands on the host computer during drafting applications.

Driven by magnetic tape units, the plotters will be demonstrating their capabilities using programs devised by some of Ben-

son's customers in the U.K. These will include drawings on the multi-million pound project for the new University of Riyadh in Saudi Arabia which were originally drawn on a Benson 1320 plotter integrated into an interactive architectural drawing system designed and used by the Architectural Partnership of Collins, Melvyn and Partners.

metric drawings of pipe layouts in a refinery designed by ICI and drawings for a process plant design from Wimpey.

Benson Electronics, based in Bristol, is the U.K. subsidiary of Benson S.A., one of the world's leaders in the development and manufacture of automated drafting machines.

Further from Benson on 0272 290851.

## CONTRACTS AND TENDERS

### Java Road Betterment Project

#### PHASE 1 PREQUALIFICATION OF CONSTRUCTION CONTRACTORS

No. 01 / BM - Bang / 1978

The Ministry of Public Works and Electric Power of the Republic of Indonesia gives notice on the improvement and paving of a network of selected provincial and district roads in Central and East Java. The network consists of eight selected road sections with a total length of 180.8 km and replacement of 24 bridges with a total length of 778 m. The Project is divided into four contracts (A, B, C and D) as detailed in the Prequalification Documents.

Application from contractors, either in their own name or as a Joint Operation, who wish to participate in this Construction will be received at the address listed below. Interested contractors shall be nationals of member countries of the Asian Development Bank who have proven experience and capability in this field may apply for prequalification. Further details of eligibility are attached to the Prequalification Documents.

International and Indonesian contractors are encouraged to form Joint Venture and make maximum use of local suppliers in the interest of developing in-country construction capability.

A Contractor to prequalify must have identifiable senior project held supervision personnel with at least 10 years experience in modern road and bridge construction or, failing this, they must be in a Joint Operation or Joint Venture or have a management contract with a contractor who can name and supply such personnel.

Contractors who have formed Joint-Operation, Joint-Venture and or management contract with other contractors are required to submit a copy of their association agreement, which should include also a statement of their sharing of capital, together with the Prequalification Document.

Contractors expressing intent to do so are required to mail a copy of the agreement when completed to the address listed hereunder.

The Project intended for tender comprises highway construction, including construction on existing and new alignments, consisting of earthwork, drainage structure, bridges, pavement and ancillary work.

The work for which prequalification is invited at this time is expected to be called for tender in June 1978.

Prequalification Documents completed in the English language will be received not later than April 15, 1978.

Prequalification Documents may be obtained from the Government of Indonesia at the following address:

Directorate General of Highways, Room no. 15  
Ministry of Public Works and Electric Power  
Jalan Pattimura no. 20 - Kebayoran Baru  
P.O. Box 181 Kby.  
Jakarta, Indonesia.

Jakarta, February 1, 1978

MINISTRY OF PUBLIC WORKS AND ELECTRIC POWER  
DIRECTORATE GENERAL OF HIGHWAYS

## CONTRACTS AND TENDERS

APPEAR EVERY MONDAY

For further details contact:

FRANCIS PHILLIPS on 01-248 8000 Ext. 456

### REPUBLIC OF GHANA VOLTA RIVER AUTHORITY

The Volta River Authority invites qualified and experienced firms to apply for tender documents for the following contracts:

#### TRANSMISSION LINE-PROJECT N. 1

This contract will comprise the design, supply and erection of a 161kv double circuit transmission line approximately 26km long from Volta switchyard to Achimota substation including the expansion of the two terminal stations.

#### CONDENSERS - PROJECT N. 2

This contract will comprise the design, manufacture, delivery and erection of a 25 MV Ar Static Condenser, in the Kumasi station and a 25 MV Ar Synchronous Condenser in the Prestea station.

#### TRANSMISSION LINE-PROJECT N. 3

This contract will comprise the design, supply and erection of a 161kv single circuit transmission line approximately 63 km long from Dunkwa substation to Asawinso new substation including the expansion of Dunkwa and the construction of Asawinso new substation.

It is anticipated that the Tender Document will be available by May 1, 1978 and that bids will be received by August 1, 1978.

The Government of Ghana and the VRA have entered into agreements of the above Projects. The lending agencies are the International Bank for Reconstruction and Development, the European Development Fund and the European Investment Bank for projects N. 1 and 2 and the IBRD alone for project N.3

Tendering will be restricted to companies and joint ventures with registered offices in countries which are members of the IBRD and Switzerland.

Request for Tender Documents may be made as from April 1, 1978 and shall be submitted as follows:

A) One copy to: THE CHIEF EXECUTIVE  
VOLTA RIVER AUTHORITY  
P. O. Box M 77  
Accra - Ghana  
Cable: Volta ACCRA

B) One copy (accompanied by a bank draft made out in favour of ITALCONSULT S.p.A. in the amount of U.S. \$ 100 per complete set of documents per project) to:

ITALCONSULT S.p.A.  
Via Giorgione, 163  
00147 ROMA - Italy  
Telex: 61497  
Cable: TECNITAL - ROMA

The Tender Documents will be dispatched from Italconsult to the applicants, postage paid, by the quickest means available.

### APPEL D'OFFRES INTERNATIONALES

CHAMP DE GAZ OFF-SHORE DE MISKAR (TUNISIE)

AVIS DE CONSULTATION POUR LA PRESELECTION  
DE L'INGENIERIE DE L'UNITE DE TRAITEMENT  
A TERRE DU GAZ DE MISKAR

Le Groupe Etude Miskar, agissant pour le compte de la future entité responsable de la réalisation du projet de développement du gisement de gaz de Miskar, dans le Golfe de Gabès, lance une consultation de préselection en vue de passer commande pour les études d'ingénierie et les services nécessaires pour l'acquisition de l'équipement et la supervision du montage d'une usine de traitement de gaz adossée à proximité de Sfax, comportant des unités de traitement et des installations de production d'énergie et autres facilités.

Les Sociétés d'Ingénierie intéressées par cette consultation sont invitées à retirer le dossier correspondant à partir du mardi 21 mars 1978 à l'adresse suivante:

GROUPE ETUDE MISKAR - 11 Av. Khereddine Pacha - TUNIS - Telex 12123 TN

et ce moyennant le paiement d'une somme de trois cents (300) dinars tunisiens par dossier ou de sa contre valeur en devises étrangères.

Les dossiers ne seront pas envoyés

Les propositions relatives à cette consultation devront parvenir au plus tard le mardi 2 mai 1978 à 17 heures.

NOTICES  
COMPANY

INTERCOM  
SOCIETE INTERCOMMUNALE  
BELGE DE GAZ ET  
D'ELECTRICITE  
Société anonyme  
Registered Office: place de Trône 1,  
8-1000 Brussels (Belgium)

NOTICE TO SHAREHOLDERS  
The improvement in the company's  
profits for the financial year 1977 will  
enable us to propose to the management  
and to the general meeting of share-  
holders the same remuneration of the  
directors and the increase in 1977,  
which led to a 20% increase in  
the number of shares.

This would enable us to fix the dividend  
at BF 12 for the old shares and at  
BF 14.66 for the new shares (net of  
Belgian withholding tax).

NIPPON CHEMICAL  
CONDENSER CO., LTD.  
(CDR)

The undersigned announces that share-  
holders who will be registered in the  
books of the Company at 3.00 p.m.  
March 21, 1978 will be entitled to  
receive a 10% GRATIS distribution of  
new shares.

Consequently the undersigned design-  
ated DIV. GP. NO. 1 of the CDRs for  
this purpose.

In Japan the shares are traded ex-  
cessively as from March 28, 1978.  
For this purpose.

AMSTERDAM DEPOSITORY  
COMPANY N.V.

DEAD + WORKS LIMITED  
5% DEBITMENTS 1978/87

NOTICE IS HEREBY GIVEN that the  
5% Debitments 1978/87 of the above  
Company will be closed from 1st March  
1978 to 31st March 1978. In order to  
be eligible for the purpose of receiving the  
dividend, the interest due to be paid  
on the 31st March 1978.

Shareholders of this issue should be mentioned to  
the undersigned at what we mean, Ring 01-278  
2748 now-don't, wait-you might  
miss out on a good party.



These beautiful Italian Marble  
Paperweights carry a permanent  
message - yours - and are made of  
your company. Chosen from White  
Marble or Green Marble.  
Choose from a variety of shapes.  
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ALL WORK  
AND NO PLAY MAKES  
JACK A DULL BOY

We are Societies-we have a lot of  
fun, we are not for the faint hearted.  
Handicapped Children. Come to one  
of our information cocktail parties and  
find out what we mean. Ring 01-278  
2748 now-don't, wait-you might  
miss out on a good party.

### RENFREW DISTRICT COUNCIL

ERSKINE NEW COMMUNITY—

ERSKINE TOWN CENTRE

The District Council invite developers of appropriate calibre and proven experience to make application to be considered to enter into partnership with the District Council for the development of Erskine Town Centre. It is anticipated that the population of Erskine New Community will reach 25,000 by the year 1985. The Council intend the development of an appropriate Town Centre the first phase of which will be a 2,000 sq. ft. gross shopping floor space.

The District Council have approved a brief to guide the design and implementation of the development comprising commercial and public buildings with supporting infrastructure.

Applications for copies of the brief should be made in writing to the undersigned. Submissions for consideration for the development should be made in writing to the Director of Administration in the special envelope provided by 10.00 a.m. on 31st May, 1978.

The District Council do not bind themselves to enter into any partnership or accept any offer of partnership.

C. D. Begg, M.R.T.P.I.,  
Renfrew District Council,  
Municipal Buildings,  
Coxon Street,  
PAISLEY, PA1 1BU.

### LEGAL NOTICES

No. 0049 of 1978

In the HIGH COURT OF JUSTICE

Chancery Division, in and for the County of Middlesex

WILLIAM LIMITED and in the Matter of

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# LABOUR NEWS

## Union unity in chemical industry

By Our Labour Correspondent

**IX UNIONS** in the oil, chemicals and related industries are aiming a Chemical Unions Council in an effort to present a common front on important issues.

Immediate issues to involve the council will include North Sea oil policies, oil refinery capacity and investment questions.

The six unions represented on the new council will be the General and Municipal, Transport and General, Amalgamated Union of Engineering Workers, Electrical and Plumbing Trades Union, Shop, Distributive and Allied Workers and the Association of Scientific, Technical and Managerial Staffs. Employees in oil, heavy chemicals, pharmaceuticals, paint and plastics will be represented.

Mr. David Warburton, national industrial officer of the G.M.W.U. who has been closely involved in setting up the council said that it was long overdue "in view of the increased procrastination by big employers who are not coming through in support of expanding economy and job opportunities."

The need for closer liaison between unions within different sectors of the industry had become increasingly obvious, particularly since the advent of the industrial strategy.

Union participation in the National Economic Development Council, sector working parties and similar joint bodies would, he hoped, "reflect common attitudes from all the unions involved."

## Lecturers may not mark exams during pay row

By Alan Pike, Labour Correspondent

**UNIVERSITY** lecturers will refuse to mark first degree examination papers this summer unless the Government makes steps to correct a three-year-old anomaly in their pay structure.

The decision, taken by an overwhelming vote at the weekend at an Association of University Teachers' emergency council meeting, comes at a time when schoolteachers throughout the country are imposing sanctions over their pay claim.

Representatives of university teaching staffs decided to tell the Government that they will boycott the marking of first degree papers unless they get a firm undertaking that the pay anomaly either will be rectified by October or speedily referred to arbitration.

Out of 78 institutions represented at the meeting, 70 voted in favour of the sanction, and the remainder abstained. The Association represents the great majority of university lecturers and the marking ban could be expected to be effective.

### Wrangle goes on

The anomaly arises from an arbitration award in 1974-75 which was not implemented because of the Government's pay policy. Ministers have agreed that the anomaly should

be corrected — this will be worth an average of 12 per cent to 14 per cent for the lecturers — but are proposing to phase it out over three years.

Delegates to the council meeting firmly rejected the three-year proposal. Mr. Laurie Sapper, the association's general secretary, said yesterday that lecturers were not asking for the money, the anniversary date of their pay settlement, and so could not be accused of breaking any aspect of Government pay policy.

Because of wrangling over the anomaly payments, lecturers have not yet collected a 9.8 per cent pay offer dating from last October. The council meeting decided by a narrow vote to settle within pay guidelines and accept this.

A similar offer of about 10 per cent is expected to be made to schoolteachers' representatives to-day if, as is likely, union leaders decide to resume negotiations on the Burnham Committee. So far, the management side has offered 10 per cent on the total salary bill but has said that 1 per cent of this must be used to pay for anomalies, incremental increases and promotions.

Many members of the two largest teaching unions are banning voluntary duties in support of an improved offer.

## Yorkshire pits threat

FINANCIAL TIMES REPORTER

The threat of industrial action is again hanging over the Yorkshire coalfield. National Coal Board representatives and the leaders of the field's winding engine men have failed to settle their grievance over the level of incentive payments.

The men, who are responsible for operating machinery which lifts workers, coal and materials up and down the shafts, receive a 40 per cent payment. Face workers receive 100 per cent and other underground workers 50 per cent.

Although there are only about 400 winders in the Yorkshire coalfield, a strike by them could virtually paralyse more than 60 pits. This would mean the laying off of more than 65 000 miners.

## Race politics 'dirty game,' says Murray

By Our Labour Correspondent

IT WAS a "very dirty and sort of political propaganda," dangerous game "to use limo-goats among innocent people was always dirty, and it was bound to do damage which nobody could be sure would sort out of disaster."

While the TUC strove for equality of opportunity and treatment and for racial harmony, "we have to contend with the crude activities of those who are in the business of the disruption of the community and the destruction of peace."

Individual trade unionists should ensure that the TUC's equal opportunities clause was included in the collective agreement covering their workplace.

"We should not allow our country to be swamped by that"

## Widespread cuts in tax wrong, says Basnett

By Our Labour Correspondent

IT WOULD be economically tested benefits. But he questioned the need to go beyond this and guided and socially damaging to use the whole scope of the Budget for tax reductions, Mr. David Basnett, chairman of the TUC, said at the weekend.

He called instead for increased public expenditure which had a "much faster and greater impact on jobs than equivalent tax cuts."

Mr. Basnett, general secretary of the General and Municipal Workers' Union, accepted the need for action to alleviate the effect on lower paid households of high marginal tax plus means-

## APPOINTMENTS

## British Leyland names Board for SP Industries

**SP INDUSTRIES**, the British Leyland specialist engineering group formerly known as Leyland Special Products, has formed its first Board.

Mr. David Abell, who has been responsible for Leyland Special Products since June, 1975, is managing director of SP Industries. Mr. Pat Lowry, British Leyland's director of personnel and administration and Mr. Gerry Wright, British Leyland's director of finance are also named as directors in a non-executive capacity. Other members of the new Board are Mr. B. D. Hoare and Mr. W. Smeddon. Mr. C. S. Hall is company secretary.

The Association of Foreign Banks in France (Groupe des Représentants des Banques Étrangères en France) has modified its name to CERCLE DES BANQUES ÉTRANGÈRES EN FRANCE.

To comply with the articles of association, the Board has been reorganised and now consists of Mr. Michael Casully (International Westminster Bank), Mr. Giuseppe Ginex (Banca di Sicilia), Mr. Kazuo Kabota (Banque Européenne de Tokyo), Mr. Jean-Louis Masurel (Morgan Guaranty Trust Company of New York), Mr. André Plagnol (Banque Canadienne Nationale), Mr. Hermann Schmidt (Deutsche Bank AG), Mr. Luis Serra (Banco de Bilbao) and Mr. Guy d'Ussel (Banque Joranda).

Mr. Plagnol has been elected president of the association and Mr. Jean-Louis Masurel (Société de Banque Suisse), Mr. Joseph Nabonn (former president of the

Mr. T. G. Gilkes has been appointed a general manager of MIDLAND AND INTERNATIONAL BANKS from April 1.

Mr. David W. Potter has been appointed deputy managing director of the Denys Fisher Division of GENERAL MILLS U.K. He has been director of sales and marketing and now takes over responsibility for the Denys Fisher Toy division.

Mr. Charles Westgarth has been appointed chairman of ELLIS MECHANICAL SERVICES and Mr. Christopher Smyth becomes managing director. Mr. Michael P. Reaton continues as a director.

Mr. R. F. G. Hurst has been elected president of the BUILDERS' BENEVOLENT INSTITUTION for 1978-79.

Mr. Neville Baynes, previously manager U.K. sales and marketing at Rediffon Computers, has joined INFOREX as managing director. He succeeds Mr. John Evans, who has moved to Australia as managing director.

Mr. K. G. Welch and Mr. E. White-Smith have been elected deputy chairmen by the Council of the BRITISH INSURANCE BROKERS' ASSOCIATION.

## Businessman's Diary

### U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Daily Mail Ideal Home Exhibition (cl. Apr. 1)	Olympia
Apr. 3-6	Environmental Pollution Control Equip. Exbn.	U.S. Trade Center, W.1
Apr. 3-7	Int. Heating, Ventilating & Air Conditioning Exbn.	Nat. Exbn. Centre, B'ham.
Apr. 4-6	Electro-Optics Exhibition	Metropole Centre, Brighton
Apr. 4-8	Computermarket '78 Exhibition	Bloomsbury Centre H.L., W.C1
Apr. 6-7	Information Handling & Management Exhibition	West Centre Hotel, S.W.8
Apr. 10-13	International Gas Turbine Exhibition & Conf.	Wembley Conf. Centre
Apr. 10-14	National Printing Machinery Exbn.	Nat. Exbn. Centre, B'ham.
Apr. 11-14	London Fashion Exhibition	Earls Court
Apr. 15-21	Storage, Handling & Distribution Exhibition	Olympia
Apr. 20-28	Metalworking '78 Exhibition	Nat. Exbn. Centre, B'ham.

### OVERSEAS TRADE FAIRS AND EXHIBITIONS

Mar. 31-Apr. 5	Int. Woodworking Machinery & Wood Ind. Exbn.	Paris
Mar. 31-Apr. 5	Supplies & Materials for the Furniture Ind. Exbn.	Paris
Apr. 2-6	International Fashion Week	Munich
Apr. 3-7	Electronic Components Exhibition	Paris
Apr. 6-7	TOTAL TRANSPORT '78 Exhibition	Rotterdam
Apr. 11-15	Plastics & Rubber Technology Exhibition	Tokyo
Apr. 11-16	Seoul Trade Fair	Seoul
Apr. 11-16	Building, Heating, Plumbing & Air Cond. Exbn.	Helsinki
Apr. 14-23	International Trade Fair	Milan
Apr. 15-24	Swiss Industries Fair	Basle
Apr. 17-23	International Spring Fair	Zagreb

### BUSINESS AND MANAGEMENT CONFERENCES

Mar. 21	British Council of Productivity Associations: The Legal Implications of Interviewing—Selection and Promotion	Metropole Hotel, W.2
Mar. 21	Gresham Management Services: Employee Participation in the Retail & Distributive Industries	Hyde Park Hotel, S.W.1
Mar. 21	Oyez/IBC: The Tax Consequences of Trusts To-day	Europa Hotel, W.1
Mar. 22	London Chamber of Commerce & Industry: Pre-shipment Finance for Small & Medium Sized Firms	69, Cannon St., E.C.4
Mar. 29	London Chamber of Commerce & Industry: Practical Agency Problems in the Gulf States, Saudi Arabia and Iran	69, Cannon St., E.C.4
Mar. 30	British Frozen Food Federation Export Seminar	World Trade Centre, E.1
Mar. 31	Management Training Consultants: Current Trends in Management & Supervisory Training	Leicester
Mar. 31-Apr. 3	Institute of Personnel Management: The Impact of Government on Company Pay Policies & Industrial Relations	Oxford
Apr. 4	European Study Conferences: Fringe Benefits on the Shop Floor	Hilton Hotel, W.1
Apr. 5	Hawkins Publishers: Cash and Capital	Europa Hotel, W.1
Apr. 6-7	Advanced Management Research (AMR): Business Strategies in the Middle East	Grosvenor House, W.1
Apr. 6-7	Brunel University: Identifying Training Needs for Managers and Professionals	Uxbridge
Apr. 6-7	Institution of Chemical Engineers: Production Congress '78	Birmingham
Apr. 6-7	Financial Times: The Meade Report and Tax	Inter-Continental Hotel, W.1
Apr. 6-7	Industrial & Commercial Techniques: Developing Export Sales	Penta Hotel, S.W.7
Apr. 10-11	Financial Times: Business and the European Community Directives	Grosvenor House, W.1
Apr. 10-12	Brintex: Energy Utilisation and Conservation in Industry	Royal Lancaster Hotel, W.2
Apr. 10-14	P-E Consulting Group: Application of Production & Inventory Control	Egham, Surrey
Apr. 10-14	Kepler Tregoe: Decision Making for Senior Management	Bournemouth
Apr. 11-12	Anthony Skinner: New Inspection Techniques and Methods	Café Royal, W.1
Apr. 12-14	Seminar Services: International Tax Planning	Zurich
Apr. 13	Building Advisory Service (BAS): Management Contracting Overseas	Cavendish Conf. Centre, W.1
Apr. 13	British Institute of Management (N.E. Region): Interpreting Accounts to the Non-Financial Manager	Harrogate
Apr. 15-20	Retail Consortium: International Conference of Retailers	Grosvenor House Hotel, W.1
Apr. 17-21	London Chamber of Commerce and Industry: Understanding the Arab World	69, Cannon St., E.C.4
Apr. 18-19	British Association for Commercial and Industrial Education: Management Development	Leicester
Apr. 19	Howay Centre for Forecasting The Budget	Carlton Tower Hotel, S.W.1
Apr. 19	London Chamber of Commerce and Industry: Agri-Business in the Middle East & North Africa	69, Cannon St., E.C.4
Apr. 20	McGraw-Hill: Managerial Work—Its Demands and Choices	Royal Garden Hotel, W.8
Apr. 20-21	Legal Studies & Services: Claims Against Carriers—Procedures and Remedies	Hilton Hotel, W.1

## This week in Parliament

**TO-DAY**  
**COMMONS**—Proceedings on Consolidated Fund Bill.  
**LORDS**—Ship Building (Redundancy Payments) Bill (Third Reading). Northern Ireland (Emergency Provisions) Bill: consideration of Commons amendment. Civil Aviation Bill: remaining stages. Debate on farm prices and the Milk Marketing Board.

**TO-MORROW**  
**COMMONS**—Motion on EEC documents on agriculture (price proposals and on milk. Motion on EEC documents on Mediterranean agriculture and wine. **LORDS**—Church of Scotland (Property and Endowments) (Amendment) Order (Confirmation Bill). Report stage. Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order. Employment Subsidies Bill (Second Reading). Motion to approve Social Security Pensions (Home Responsibilities and Miscellaneous Amendment) Regulations 1978. Prayer Book (Ballot of Laity) Bill (Second Reading). **SELECT COMMITTEE**—European Legislation, etc. Sub-committee 11. Concurrent meeting with sub-committee "B" of the House of Lords. Select Committee on European Communities. Subject: Liner Conferences. (10.30 a.m. Room 4).

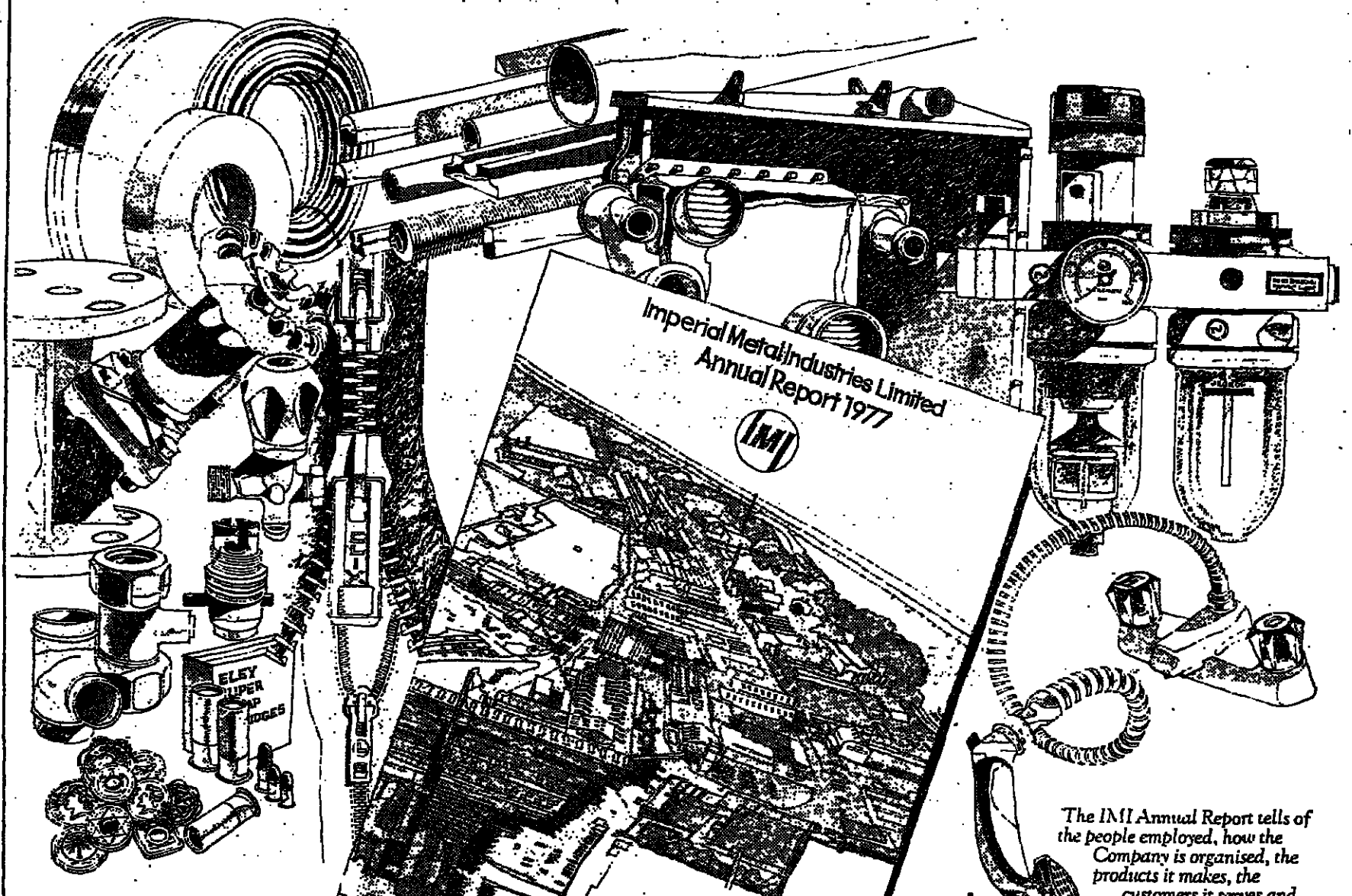
**WEDNESDAY**  
**COMMONS**—Debate on Wind-scale Inquiry report. Motion on EEC document on Cyprus. **LORDS**—Debate on recommendations made in the report of the Committee on Mentally Abnormal Offenders.

**THURSDAY**  
**COMMONS**—Questions from April 4.

11 a.m. to 12 noon and after debates on various subjects the House will adjourn for the Easter recess until Monday, April 3.

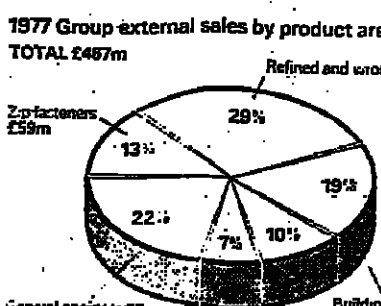
**LORDS**—Consolidated Fund Bill, all stages (11 a.m.) Employment Subsidies Bill (Third Reading). Motion to approve Weights and Measures Act 1963 (Weighed Out Foodstuffs Restriction on Imperial Units) Order 1978. Motion to approve Weights and Measures Act 1963 (Hardware Textiles and Floor Coverings), etc. Order 1978. State Immunity Bill, report stage. Motion to approve Social Security (Contributions) Consequential Amendment Regulation. Debate on export of live farm animals. The House will adjourn for Easter recess until Tuesday, April 4.

## IMI means more than metal



In his statement incorporated in the Report and Accounts, the Chairman, Sir Michael Clapham, says: "At the Annual General Meeting a resolution will be proposed to change the Company's name from Imperial Metal Industries Limited to IMI Limited. The word Imperial may be taken amiss in some parts of the world where we trade, and our activities are not confined to metals."

In 1977 there were substantial increases in profit from fluid power, valves, and alloy tubes and fitting activities. There was some downturn in profit from titanium, copper tube and zip fasteners. Direct exports from the UK amounted to £34.7m in 1977 (1976: £75.2m). IMI is well placed to increase turnover and profit significantly given a climate favourable to industry.



The Chairman also says: "We are one of the UK's top hundred industrial concerns, with approximately 27,000 employees in the UK and 6,000 overseas". In most of the UK subsidiaries an employees' profit sharing scheme is in operation providing an annual profit-related cash bonus. The amount payable in May this year will be £2.1 million, compared with £1.7 million last year.

### Summary of Results

	1977 £'000	1976 £'000
Sales to external customers	467,016	404,045
Group profit before taxation	34,201	30,075
Total assets	259,477	236,296
Earnings per share excluding extraordinary items	8.3p	8.6p
Dividends per share	4.99125p	4.5375p

Investment in fixed assets and new subsidiaries during 1977 amounted to £23 million compared with £12 million in the previous year.

Strong balance sheet. Current liabilities remained less than half of current assets and are, in fact, covered by debtors and cash. The further strengthening of IMI's financial position during 1977 is illustrated by a £10 million increase in reserves.



Imperial Metal Industries Limited,  
 Kynoch Works, Witton,  
 Birmingham B6 7BA.



100





# The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

## Where top Europeans get their perks

TOP SPANISH executives like to be chauffeured to work by private car and to have a private washroom in the office. Their British counterparts are fond of executive loos and taking their spouses on business trips. The Swiss businessman goes for an office with a view and a subsidised home.

These findings come in the latest edition of *European Top Management Compensation Policies*, to be published shortly by Management Centre Europe. In this survey of nearly 4,000 top executives in 645 companies in nine European countries, it was also found that nearly 80 per cent. of the companies surveyed in Britain provided top executives with a company car for business use and 72 per cent. did so for private use as well.

Only French and German companies provide their executives with cars to a similar extent. The Italian businessman is bottom of the nine-country survey; less than 40 per cent. of companies in Italy provide a car for business purposes, although nearly 50 per cent. do so for private use.

Revealing differences in national characteristics are shown up by the survey. For instance, while 23 per cent. of

British companies will pay the spouse's travelling expenses when accompanying the executive on a business trip, only 2.7 per cent. of Italian companies will.

On average, around one quarter of all the companies surveyed said they provided a "liberal expense account." At the top of the league, 31 per cent. of British companies fell into this category, while at the bottom only 12 per cent. of French companies consider themselves to be so generous.

The Austrians obviously see office environment as important to their top executives, as 85 per cent. of companies provided them with "better appointed offices," with added benefits, such as carpets, curtains, paintings and a larger desk. Such a perk rates highly in all the countries surveyed; only in Italy and France did less than half of the companies provide top executives with a better office. A better positioned office also appears to count highly in a number of countries. Of the Swiss companies surveyed 45 per cent. said they would move their executive up a floor or give him an office with a window.

Of all the countries Spain is keenest on the executive having

a private washroom, with 22 per cent. of companies providing one. And only in Spain and Britain does the executive lavatory feature prominently, with 23 per cent. and 26 per cent. of companies respectively having them.

Britain also leads Europe in providing executive dining facilities; nearly 40 per cent. of U.K. companies do. Such facilities seem to be virtually unheard of in France, given that only 2 per cent. of companies surveyed made them available.

Belgium and the U.K. generally appear to do most in the way of providing insurance benefits, while relatively few Italian companies do. Over 90 per cent. of British companies provided their executives with pensions—in addition to any statutory requirement—which compares with 83 per cent. in Switzerland, 77 per cent. in the Netherlands, 75 per cent. in Austria, over 60 per cent. in

Belgium and France, 41 per cent. in Spain and a mere 5.4 per cent. of Italian companies. The pattern is fairly similar for life insurance provisions. Again most U.K. companies provide them, though they are not very widespread in the Netherlands or Italy.

Belgian and Spanish companies are keenest on providing training facilities for executives—either inside or outside the organisation—for professional development. In most of the countries surveyed around 60 per cent. of companies provided training. Britain was on the low side with only 36 per cent. of companies offering such a facility, and Italy was the worst, being the only country with less than 50 per cent. of companies providing it.

On languages the U.K. had quite clearly, and perhaps not altogether surprisingly, the worst record. Only 17 per cent. of British companies offered

private language coaching or other related educational facilities. At the other end of the scale, 57 per cent. of Dutch companies did so.

The report also shows how each country values the different disciplines of executives. Based on the survey, it expresses each job as a percentage of the chief executive's salary. British engineers, who have long complained of being underpaid, will find plenty to vindicate their grouses. In the U.K., top engineering executives are paid at 46 per cent. of the chief executive's salary; this is a lower proportion than in any of the countries surveyed and compares with 62 per cent. for the top German engineering executive and 68 per cent. in the Netherlands.

In the U.K. the engineer is placed in a similar category to the top purchasing executive and the top EDP man in the corporate pecking order.

Highest rated in the U.K. below deputy chief executive and divisional director level are the top financial executive and top marketing executive. In comparison with other countries the U.K. does not appear to put too high a regard on its sales executive either, who scores around 50 per cent. of the chief executive's remuneration, compared with Switzerland and Germany who rate him at 60 per cent.

British and Spanish executives were the only ones whose pay increases did not match or exceed the increase in the cost of living in 1976-77. The average increase in the U.K. was 6.3 per cent. against a 13.1 per cent. rise in the cost of living. For Spanish executives the equivalent figures were 19.6 per cent. against 26 per cent.

At the other end of the spectrum German executives increased their remuneration by 7.7 per cent. while their cost of living rose by only 3.7 per cent. and the Swiss average increase was 4.3 per cent. with an inflation rate of 1.4 per cent.

The survey spotlights the high level of direct taxation in the U.K. compared with other European countries. In an extensive table of net income after the deduction of income taxes and social security charges ex-

### TOP MANAGEMENT SALARIES RELATIVE TO CHIEF EXECUTIVE'S SALARY %

EXECUTIVE POSITION	Bel.	Fr.	Ger.	Italy	Ned.	Sp.	Swi.	U.K.
Chief	100	100	100	100	100	100	100	100
Deputy Chief	76	78	71	80	81	77	71	80
Division Director	67	74	66	67	75	66	60	62
Top Marketing	65	63	66	65	63	58	63	58
Top Sales	54	54	59	53	57	57	59	50
Top Manufacturing	54	56	54	53	64	59	64	53
Top Engineering	51	60	62	57	68	54	54	46
Top Research	52	52	56	57	62	48	59	52
Top Financial	57	59	58	59	68	61	56	58
Top Administrative	56	50	54	53	52	62	54	55
Top Personnel	51	47	47	57	55	55	58	49
Top Purchasing	46	49	42	47	50	39	40	41

Source: Management Centre Europe

pressed as a percentage of gross remuneration, the survey shows U.K. tax as the highest across almost all income ranges, from \$8,000 (£4,200) up to \$120,000 (£63,100). But between \$120,000 to \$40,000 a year the Irish income earner is slightly worse off.

For somebody on an annual salary of \$8,000 a year, net income as a percentage of gross is in Austria 86 per cent.; Belgium 100 per cent.; France 97 per cent.; Germany 85 per cent.; Ireland 77 per cent.; Italy 85 per cent.; Netherlands 85 per cent.; Spain 78 per cent.; Switzerland 98 per cent.; U.K. 76

per cent.; U.S.A. 89 per cent. But at the dizzy heights of \$120,000 a year someone in the U.K. would have a net income of 28 per cent. The next most stringent taxation of the very high earner is the Netherlands; there he would see 38 per cent. of his money after tax and social security. America and France are the most lenient on the high earner—he can take home 63 per cent. of gross income.

The survey is available from Management Centre Europe, Avenue des Arts B-1040, Brussels, price B.Frs.11,500.

Jason Crisp

## Catering for flair in the Civil Service

ONE OF the few successful examples of managerial flair in the civil service is to be found in the unlikely area of mass catering. Since its inception in 1973, the Civil Service Catering Organisation—known as CISCO—has developed sophisticated management, accounting and marketing techniques which enable it to operate at a level of profitability envied by many industrial and commercial caterers.

The unit operates virtually as a self-contained unit and in particular it tries not to let the existence of subsidies hinder its management performance. Its drop in its 45 per cent. gross profit target is met by a corresponding cut in its food subsidy

—a system that keeps it firmly on its toes.

At a time of rising costs and pressure on Civil Service manpower, CISCO has also been able to cut its staffing levels without any apparent effect on efficiency. From an annual turnover of £10.75m, it is making a contribution in respect of overheads of £250,000 as part of the overall Whitehall financial savings.

The CISCO operation is particularly interesting in that it does not have a monopoly on civil service catering. Traditionally, independent canteens

were run entirely by staff committees but these canteens were often too small or lacked the commercial knowledge to be considered viable economic units. In the early 1970s, it was decided to bring them within the context of a special, Civil Service Department sponsored company, to include the catering services already operated by the Directorate of Catering which had been started during the war.

But because a joint CSC-controlled catering operation posed too many problems, it was decided to set up CISCO as a

separate trading organisation to manage the existing directly-run canteens and to let the committee canteens continue as before. Out of a total of just over 800 catering units at present, the bulk (566) are still committee-run. However, CISCO still manages to produce 14.7m. meals a year, and achieves on average between ten and 15 per cent. greater gross profit margins on food turnover than the committee-run canteens.

The chief executive, Harry Guest, was brought in from Associated British Foods to run CISCO's five divisions: opera-

tions, personnel, finance, marketing and supplies. CISCO is also split into 20 geographical areas.

The main success of CISCO has been the way it has kept a tight rein on operations in an industry notorious for its laxness of controls. This has been achieved by giving close attention to financial and other operating yardsticks in each catering outlet. It has developed an "assessment package" to identify the commercial viability of new operations. In this way over 40 surveys have been carried out over the last

two years to identify staff needs—whether there should be a full canteen or snacks or take-aways—and the price the staff would be prepared to pay.

The director of operations, who reports to Harry Guest, receives this statistical information from which he can make regular reviews of demand, and consequently produce manning schedules.

The operations division is responsible for each outlet achieving specific production targets and gross profit levels. Any shortfalls trigger off various techniques to restore

profitability. These include putting in new management, assessing the demand for food, and special advertising and promotions to boost sales.

Part of the financial control system is the field management accounts team, which is used to identify any weaknesses that the statistics fail to show up. According to Mr. Guest, "they can, for instance, pinpoint the half-hour of catering staff time unproductively employed, or the 20-30 degrees Fahrenheit a fish fryer is operating below correct working temperature, leading to excessive cooking time and moisture absorption, giving low production yields."

But as Mr. Guest acknowledges, "beyond a certain stage

statistical and management investigations do little to illuminate the problem of unsatisfactory operation standards in terms of performance and cash results."

In the end, the problem is one of management. "We believe that during the last two or three years we have steadily improved the quality of our management by a combination of regular recruitment of a high standard, methodical posting and training of junior management in order to give the right sort of job experience, and increasing the management and training skills of our line management."

David Churchill

### EXECUTIVE HEALTH

BY DR. DAVID CARRICK

## Put out to grass

A FEW months ago I spoke to a gathering of worthy folk about stress and, not surprisingly, met a response which was something less than wild enthusiasm. Things suddenly warmed up during "question time" when I was asked: "At what age do you think that executives should retire?"

A difficult and faintly suspicious question. While gathering my thoughts, and seeking to gain time, I said that I thought that an even more important problem was whether some people should ever start, let alone retire. This was greeted with an amazing and unexpected roar of applause and laughter which puzzled me. Then it dawned upon me that each delegate present fancied that I was referring to those sitting next to him or her.

My answer was by no means facetious. A simple study of people reveals its truth. For

example, I have a wonderful female patient who was born during Queen Victoria's Diamond Jubilee Year. She is amazingly loyal to her employers; never misses a day's work; and, in her spare time, is one of the best bowlers in England.

On the reverse of the coin, I have heard from a colleague that a 25-year-old patient of his, with a degree in sociology, came to his surgery to demand pep-pills as he got so tired waiting in the dole-queue, and also for something to improve his appetite because the half-mile walk to the pub from the queue, made him less interested in beer than hitherto.

So it is only by carefully weighing the merits of those approaching retirement age (even 20 years before) that any useful or important decisions can be made. The arbitrary figures of 65 or 60 are almost as facile as the statement in the



... one of the best bowlers in England ...

American Declaration of Independence that "We hold these truths to be self-evident that all men are created equal."

Those who originated the statement must have been as quaint as they were cosseted. For what sensible person could maintain that, say, a subnormal child is exactly the same as the brilliant young Mozart? One man may be useless at 40, whereas another at 65 (or very much older), possessing great wisdom and vigour, may prove to be of incalculable value.

Evidently there are those who should be retired. A good company should prepare employees for so drastic a change by obtaining specialist advice.

Although I am much against annual voluntary-compulsory medical check-ups for all executives, whether performed by humans or robots, it is reasonable that those over 65 and still working should be seen annually by an understanding physician who is as aware of the somatic problems of ageing as of the psychological ones; also, he must be completely aware of the type of work the patient is undertaking.

But never should he fail to remember that the infinite value of wisdom, which is irreplaceable, should not be coldly cast aside as a wasted asset on the mouldering midden thrown up by envy and ambition.

### Leave us to answer it

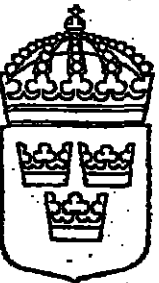
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February 1978



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## FINANCIAL TIMES

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 Telephone: 01-248 3900

Monday March 20 1978

## Israel and the U.S.

TOUGH TALKING between the Israelis are pressing on President Jimmy Carter of the U.S. and Mr. Menachem Begin was expected before their meeting was postponed as a result of the Patah incursion into Israel. Now, one week later, following Israel's invasion of the south of Lebanon there is a possibility of an angry confrontation that will not be disguised in any way by the familiar references to the special friendship between the two countries. The scale and ruthlessness of the Israeli operation, going far beyond traditional Israeli retaliation against the Palestinians, may have killed off the peace initiative launched by President Anwar Sadat of Egypt, which was already foundering, causing growing friction between Washington and Jerusalem in the process. Mr. Begin can hardly relish an encounter that will take place under the shadow of an American-sponsored U.N. Security Council resolution calling upon Israel to withdraw its 20,000 troops and for their replacement in the area south of the River Litani by a U.N. force.

## Unresolved

Before the invasion of Lebanon there were unresolved differences over Israel's determination to continue the development of sites not only in the West Bank but also in Sinai. This was one important factor stalling the peace dialogue with Egypt.

Equally sharp and central to the Middle East problem is the dispute over UN Security Council resolution 242, the basic and globally accepted framework for an Arab-Israeli peace agreement. Mr. Carter will not give much sympathy to Mr. Begin's contention that the resolution does not necessarily apply to the West Bank because it does not specify this territory by name. In addition Washington has been angered by Israeli protests about Mr. Carter's promise of U.S. aircraft to Egypt and Saudi Arabia and his insistence that their country forms part of the same package including the delivery of F-16s to the Jewish State.

Yet in the new context created by Israel's military operation the most bitter exchanges will inevitably centre on the problem of withdrawal from Lebanon at a time when

## Interim role

The U.S. has acted fast in pushing through the resolution calling for an Israeli withdrawal and the despatch of a 3,000-man UN force as an interim solution until the Lebanese Army, now being reconstituted, can undertake the role. With six countries already having agreed to supply troops, a UN force could be on the ground within a fortnight. The number envisaged would not be sufficient to man a buffer zone effectively. Moreover, they must be prepared to fight the Palestinian guerrillas. For Israel, the arrangement would be very much less than perfect. The big question now is whether Israel is prepared to defy the U.S. on which it is so heavily dependent, and how much pressure Mr. Carter is willing to bring upon it. There must be limits to Israel's ability to impose terms on Washington and to resist its wishes.

## Anomalies in State pay

SIR DEREK EZRA, the chairman of the National Coal Board, said recently that he would be just about as well off if he were the manager of a West German coalmine. At the same time, his nearest equivalent in the German coal industry would have an after-tax salary at least three or four times his own. Similar statements have been coming from chairmen of other British nationalised industries. Sir Denis Rooke of British Gas, for example, told a House of Commons Select Committee last month that the corporation which he headed operated on the scale and scale of ICI. The chairman of ICI is paid £98,000 a year; Sir Denis is paid £23,000.

## Discussion

It is important not to get those complaints out of perspective. Both Sir Derek and Sir Denis, after all, continue to do their jobs, though whether they would have taken them more rigidly, their salaries were going to be pegged is another matter. Nor are either they or their fellow chairmen appear to be demanding that their pay should rise to the ICI level overnight. Sir Denis merely told the Committee that he did not think his salary should be only one quarter of that of the ICI chairman.

The complaints are, however, worth serious consideration at a time when the future of the nationalised industries is much under discussion. This week brings the Government's statement on the British Steel Corporation and possibly the White Paper on the nationalised industries as well. Next month there should be a new report from the Boyle Committee on top salaries.

Many of the anomalies in State pay at the top level are well documented. The chairmen of the nationalised industries have received pay increases of only 7 per cent since the Government turned down the Boyle recommendations of 1974. If economy: all of them have to those accepted, some of their salaries now would be around £40,000 level. Yet it is not just that top pay in the pay.

## Together

The odd case of all is British Leyland, a company that looks like requiring State funds for the foreseeable future, yet whose chairman is paid more than twice the amount of chairmen of some of the nationalised industries. Perhaps that is the only way to get good people. But if that is so, the same argument must surely apply to British Gas and the rest of the State sector, some of which perform markedly better than Leyland.

For the Government it is almost always a difficult time to grant large pay increases to a minority who may seem to be well enough off by normal standards. Yet the fact is that delayed it becomes more difficult still. The nationalised industries represent an important part of the British economy, at least for staff, in those accepted, some of their salaries now would be around £40,000 level. Yet it is not just that top pay in the pay.

FROM THE WINDOWS of the Trans-Siberian Express the snow-covered birch and pine forest is broken only by the occasional town along the route where old Russian log cabins form a foreground to building cranes and modern apartment blocks going up along the horizon.

The unrelatedness of old and new is typical of the Soviet Union, but nowhere more so than in this vast region where the new is embodied in the Soviet programme to develop Siberian resources, and the old seems dictated by the requirements of nature itself.

Covering 4.5m. square miles, most of it roadless, uninhabited and covered with thick forest, Siberia has become the oil and gas base of the Soviet Union in the past 20 years. Steady industrialisation is planned with Siberian expenditures accounting for perhaps half the total Soviet budget by AD 2000.

The key development over the next ten years is the 2,000 mile Baku-Amur Railway (BAM) which, when complete in 1983, is expected to open the way to the exploitation of some of the world's richest deposits of iron ore, coal, gas, asbestos, nickel, copper and gold in what now is an almost uninhabited region.

Economists at Akademgorodok, near Novosibirsk, seat of the Siberian branch of the Academy of Sciences, told me that because of expected internal and foreign demand for Siberian raw materials, the long run return on investment is expected to be greater than in other parts of the Soviet Union, although construction is several times more expensive because of climatic conditions and the lack of infrastructure.

The scale of the development effort and the obstacles it faces are readily apparent. From the towers and lights of Tyumen, the oil metropolis of western Siberia, from which oil and gas workers are dispatched by plane to work in makeshift settlements in the far North, to the mob scene in an Irkutsk shop as a few scraps of meat wait on sale, to the churning waters beneath the massive Bratsk dam, blocking the Angara river, Siberia presents images both of achievement and of enduring problems.

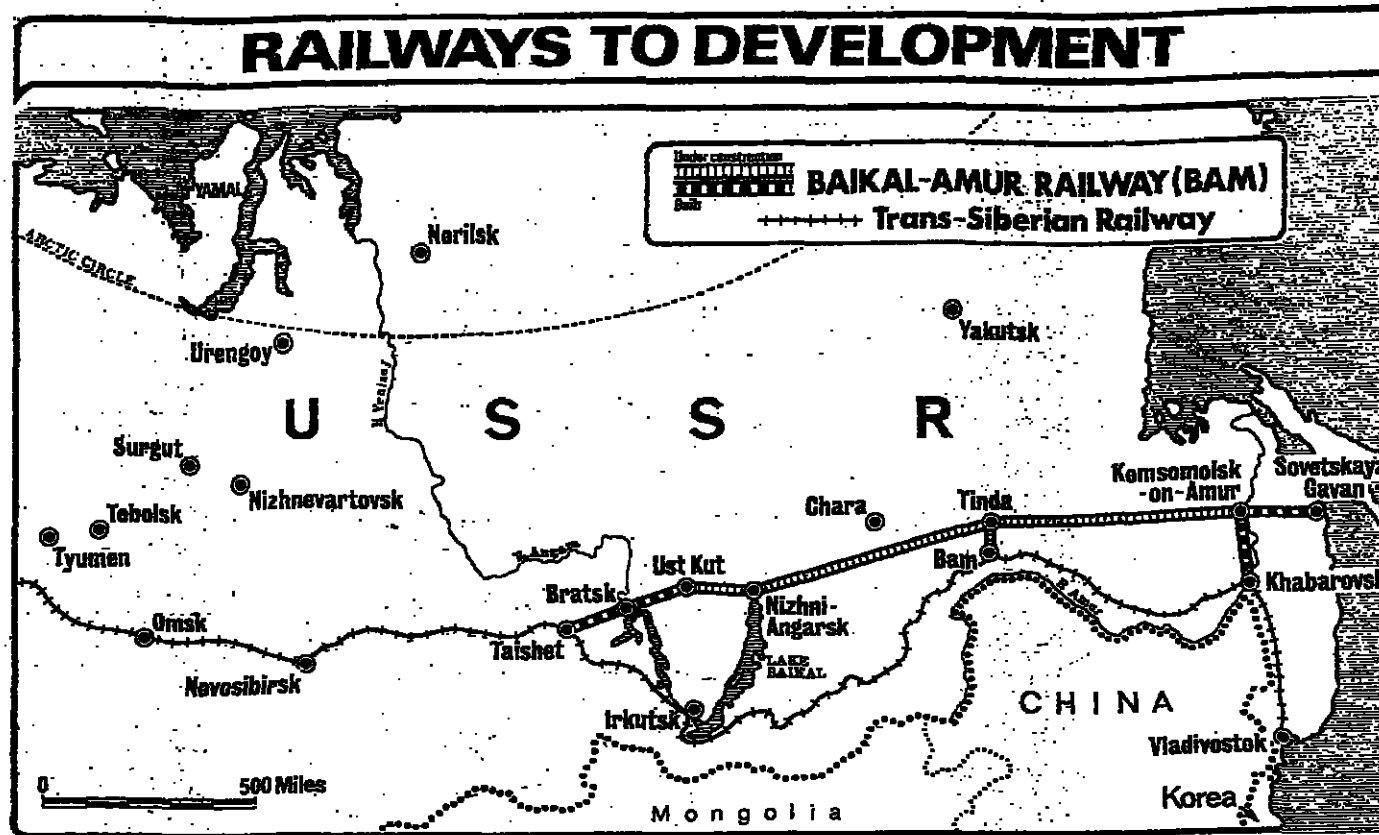
The Soviet authorities are trying to move the country's centre of gravity eastwards. It is estimated that 70 to 80 per cent of potential Soviet resources, including at least 80 per cent of the oil and gas, is located in Siberia, although 80 per cent of Soviet industry is still in European Russia, thousands of miles away.

To save transport costs and maximise the effect of expenditure on permanent infrastruc-

The Soviets are in a hurry to exploit Siberia's great natural resources of oil, gas, iron ore, asbestos, nickel, copper and gold

## The Russians arouse their white giant

By DAVID SATTER Moscow Correspondent



ture, planners have adopted the principle of "territorially coordinated production complexes." A typical complex includes a set of factories and an energy source all served by a single infrastructure. The concept evolved through a good deal of trial and error. The Bratsk dam existed for many years in an industrial vacuum with a great waste of surplus energy. Now the Bratsk complex includes an aluminium plant, a cellulose plant, and metallurgical and light industry. The policy also reflects the fact that the provision of electricity and support systems is three times more expensive in Siberia than in European Russia.

## Impassable marshland

During the course of a trip of more than two weeks across Siberia by train and plane I was struck by the sweep of the Siberian tundra, its immensity and wild beauty. The sun turns through a steel grey light, the snow of a thick forest without paths or roads. The beauty of the tundra, however, is also forbidding because temperatures in Siberia's great forest and permafrost hinterland regularly drop to -40 degrees centigrade in winter and during the short, hot summer the wilds are transformed into impassable marshland by excess water trapped on the surface by the permanently frozen subsoil.

The Soviets have successfully developed new areas of Siberia

including the Tyumen province of western Siberia which will produce half the Soviet oil and a third of all Soviet natural gas by 1980, and the Angara river region where Bratsk, a pioneer project of the 1950s is today a modern and relatively attractive city of 250,000. Development of the west Siberian oil and gas fields is continuing as Soviet geologists search for new oil deposits and improve the exploitation of old ones. Promising gas deposits are being discovered in the far northern Yamal. But the focus of development now is the BAM railway which will form the transportation and communications backbone of a wilderness area three times the size of France.

About 660 miles or 35 per cent of the BAM route has been finished and construction is proceeding in both directions from Tynda, which is about mid-way along the route and destined to be a major transport centre and principal transfer point from BAM to the Trans-Siberian Railway farther south. Economists at Akademgorodok said that work has been slowed down by the weather and the need to bore tunnels as long as 9 miles through mountains along the route. BAM construction sites are not freely accessible to western journalists, but a section of the railroad not far from the town of Chulman, about 100 miles north of Manchuria, is clearly visible from the air. Two narrow troughs, one of them with the rails already laid, cut precise geometric ribbons through the forest around hills, and con-

verge regularly at the bridges and over scores of wind-eroding rivers. A wooden builders' village was visible along the BAM rail bed on the side of a bare hill, but even from a considerable altitude on a brilliant winter morning, it was the only sign of human habitation for as far as the eye could see.

The BAM area, a model of planned development, is to contain nine substantial towns by the mid-1980s and its population is to grow from several hundred thousand to 1.5m. Construction of the railway, at an estimated cost of 10bn. roubles, will prepare the way for the construction of between six and nine major industrial territorial complexes along the route. They will include a paper plant complex at Ust-Kut, just west of the northern tip of Lake Baikal, a copper complex at Chara, drawing on the huge Udokan copper mines, where one of the world's richest copper deposits is believed to be capable of eventually yielding 400,000 tonnes annually of high grade ore; the Soviet Union's third largest metallurgical complex at South Yakutia; the transportation centre at Tynda; and a wood processing and mining complex at Ust-Kut.

Besides completing BAM and creating industrial complexes in the BAM zone which the planners would like to see finished by 1980, the Soviets have other ideas for the development of Siberia's wealth. Perhaps the most intriguing is the exploration and development of possible oil and gas deposits of the East Siberian plateau, now a "white spot" in

terms of geological exploration and an utterly remote region with neither landing strips nor roads, roughly the size of Scotland and Western Europe. Some Soviet geologists believe it could contain oil and gas deposits richer than those in Western Siberia.

## East-west railways

Soviet planners are also considering building a series of east-west railways across Siberia to compensate in part for the lack of an east-west trans-Siberian highway and to open up new, more remote areas of Siberia in much the same way, as it is hoped that the area between the northern shore of Lake Baikal and the Amur river will be opened by BAM. They would include a line from Ust-Kut at the western end of BAM to Tyumen, a railway across central Siberia to the west Siberian oil town of Surgut, a line connecting the cities of Surgut, Nizhnevartovsk and Tobolsk, and a far northern route linking the giant Urengoy gas fields and the arctic circle city of Norilsk.

The Soviets are confident of the natural wealth of Siberia. The limits to what they can achieve are limits of manpower and limits of resources. The limits are falling, prompting greater emphasis on mechanisation and on improving the productivity of labour. In Siberia, however, the problem is not simply finding people, but persuading them to stay in a their own.

remote, inhospitable land where the social facilities and standard of living are still generally lower than in the European part of the country.

In an effort to hold people in Siberia, a salary coefficient is paid on salaries which varies from 20 per cent in relatively settled Khabarovsk in the far East to up to 100 per cent in Nizhnikolmsk near the Arctic Ocean with 10 per cent increments every year or six months. For the approximately 100,000 workers who are building BAM, the immediate salary coefficient is 70 per cent. Because of the almost total lack of anything to buy other than basics it is often possible to save the purchase price of a new car with money earned during three years on a BAM construction site.

Despite the high pay and other incentives such as 36-day holidays and a free trip to European Russia every three years, Siberia continues to lose population, exactly the opposite of the trend which the Government wants to encourage. Sociologists at Akademgorodok said that in the last three years the difference in numbers between those leaving and those arriving has been getting smaller, but the mobility rate in Siberia is still 6 per cent, per annum, compared to between 2.3 per cent for European Russia.

Many who come to Siberia do so only for a few years for the extra money and then return to the western USSR. In 1959-68, western Siberia lost 282,000 inhabitants. During the same period, eastern Siberia had a population decline of 147,000.

The process is very costly to the State because of the high cost of moving and settling new residents. But it is likely to continue unless better facilities and particularly better housing are provided in Siberian towns. Labour shortages, in any case, aggravate the general shortage of resources which inhibits Siberian development.

It has been estimated that moving a man to western Siberia, for example, and providing him with all the necessities of life costs 40,000 roubles. Road building in the taiga and swamp costs roubles 1m. a kilometre and, given the high labour costs necessitated by the difficulty of keeping workers in Siberia, the strain imposed on the already heavily committed Soviet economy is enormous even acknowledging the handsome return which that investment is expected to bring. The Soviets are in a hurry to exploit Siberia's natural wealth. That is why they looked for western partners and advanced technology. For the moment, however, having had mixed success in gaining European, Japanese or American co-operation, they are pressing ahead on their own.

## MEN AND MATTERS

## Labour's pains on the Clyde

Rugged weather up on the Clyde yesterday led to an uneasy ending to the conference of the Scottish Council of the Labour Party. With the Scottish Nationalists championing on the horizon and various by-elections round the corner, the 400 delegates were subdued in their criticism of the Government. It was left to a delegation of workers from the Clydebank plant of Singer (U.K.) to make the most anguished complaints about scheduled pay cuts to the Prime Minister when he crossed the Clyde in Dunoon in Argyllshire on Saturday.

Callaghan received the standard standing ovation from the delegates when he was played in by a piper. The piper had been due to sound off "Scotland the Brave," but a whispered discussion about whether this might not seem to be trying to be more nationalist than the Nats led to this being changed to Burns' "A man's a man for all that," which Callaghan did not seem to find demeaning.

But at 11.45 yesterday disaster struck. Ferry service Caledonian MacBrayne suddenly announced that it had had to stop its car ferry and might stop its passenger ferry too. A host of delegates, fearing they would be stuck in Dunoon, fled from the hall. So when 12.30 came and the lads struck up with the Red Flag there were only a few voices to be heard — even though the backs of the programme had two verses and the chorus written out so that there would not be a repeat of the red faces of last year among those who did not know the song which is meant to be their creed.

## Century's circus

Centimetre was the "sale of the century," but somehow these



"That's the FOURTH close encounter of this kind we've had!"

days centuries seem to be lasting a short time. For on Wednesday a collection which could realise twice as much as the £6m. obtained by Sotheby's last June is to be opened to the public in Frankfurt. — After a "circus tour" involving Zurich and possibly New York the collection will come to the Royal Academy in London. Sotheby's will be putting it under the hammer between June 20 and 27.

The collection was built up by the Swiss collector, the late Robert von Hirsch, Rubens, El Greco, Tintoretto, Guardi, Cezanne, Van Gogh, Renoir and Lautrec are among the painters represented, while also in the collection are many Old Master drawings, and 18th century and earlier furniture and ceramics. Mediaevalists will be flocking to the show as among the hundreds of objects crammed into his Basel home von Hirsch had a mediaeval showcase which included such objects as an enamel arm ornament believed to have been part of the imperial vestments of the Emperor

## Frederick Barbarossa: its pair in the Louvre.

When the Nazis came to power, von Hirsch gave Goering a painting by Cranach to be allowed to go to Basel. After the war he re-obtained the Cranach. Von Hirsch made his fortune from the family's leather processing works. — Probably one Italian newspaper has just described him as a shoe taker. When I mentioned this yesterday on the telephone to Nichol Rayner, the director of Sotheby's jewel sales in Switzerland, he scoffed. "How could a cobbler build up the biggest collection of art to appear in a London saleroom this century?"

## Homely computer

It is good to see prices tumbling in the field of electronics but I never thought that for an outlay of about \$60 I could have my own computer, even if a very small one. But that is the approximate cost of the unit which can obtain by linking a pocket calculator to a standard cassette recorder.

This unexpected marriage is proposed in the April issue of Wireless World. You need a little background to understand the spider's web of wiring diagrams in the magazine but the basic points are simple: that your tape recorder needs no modification, your calculator needs only two connectors added, and you need some equipment which can be bought at most electronics stores. The original idea came from Sweden and took as its starting point the Sinclair Cambridge calculator. Clive Sinclair, chairman of Sinclair Radionics, told me yesterday that they had not yet given any thought to making calculators with the link up a simple matter of pushing in a plug, though he added that they would be doing so.

Sinclair used to run a 25,000-circulation radio magazine, Popular Wireless, while still in sixth form. His firm makes pocket televisions and is developing these together with funds from the National Research Development Corporation.

He said that the link up of calculator and cassette recorder would give you a unit which could do some of the tasks now performed by a computer—storing data and controlling steps, for instance. Thirty minutes of tape could store a programme of some 600 steps, many times more than on the normal programmable calculator, though the steps would be relatively slow by computer time.

Apparently the new unit could also have some medical applications such as reminding women when to take the pill. It will also allow buffs to play games against their calculator though somehow I question whether this is how the computer of the future will be spending his train trips.

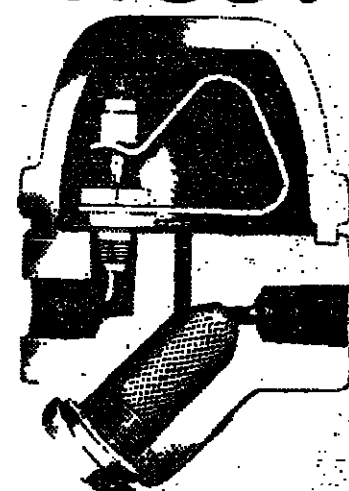
## Stamps abroad

If you don't trust your luck to win at cards in Monte Carlo, don't worry, for you can now take a less risky gamble just a few doors away. Stanley Gibbons has just opened a new overseas branch in the heart of Monte Carlo a short distance from the world famous casino. The new company will deal mainly in rare stamps and antique maps, and will serve the important collector market in Monaco, Southern France and the Italian Riviera. Why Monte Carlo? "To give the many established collectors the chance to buy from the world's largest stock of rare stamps," says A. L. Michael, Chairman of Stanley Gibbons International, who just happens to own a home there.

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## FINANCIAL TIMES SURVEY

Monday March 20 1978

## Saudi Arabia

The world's leading oil exporter now has greater influence than ever in the Arab and developing worlds and the West. This two-part Survey assesses its ambitious development and the related effects on politics and social affairs.

## Limited room for movement

By Anthony McDermott

ARABIA HAS probably not had such influence in the world as it has today since Islam was born there in the seventh century and spread rapidly westwards to north Africa and eastwards beyond Persia. But Saudi Arabia's rise to pre-eminence and influence today has been in many ways more dramatic and certainly swifter than the early Islamic conquests.

This new status is proving to be a mixed blessing. Saudi Arabia, given its political, social and bureaucratic make-up, has been—and still is—singularly ill-equipped to cope with the importance thrust upon it. One example will suffice. Saudi Arabia possesses one quarter of the world's proven oil reserves, and at the same time, because of its size and the comparatively small numbers of its armed forces, it is almost incapable of protecting its valuable assets. In their less openly patriotic moments, Saudis would admit that their important position in the world is not immediately and directly the result of their own efforts, but more the effect of their colossal oil wealth. The

real achievement—and this is a prolonged and unfinished process—is to come to terms with the effects of this wealth. This involves economic development in the west and the resulting exposure to alien social and political systems, without damaging the fabric of Saudi society, which is based on the tight rules and regulations of a fundamentalist interpretation of Islam.

The turning point in Saudi Arabia's modern fortunes is well-known—the oil price rises which followed the 1973 Arab-Israeli war. An important development thereafter was the consolidation of an increasingly close relationship with Egypt, the most populous and influential of the Arab states on Israel's borders. Following the assassination of King Faisal in 1975, Saudi Arabia's foreign policy has taken an increasingly flexible and active role. At the same time it has not abandoned its traditional characteristics of moving on the whole, with extreme caution, and reserving its public position on key issues so as not to exclude the ability to influence all the parties to a conflict.

## Tenets

The basic tenets of its foreign policy have not changed that much over the years. Its primary concern is with the spread and support of Islamic values. The second, a corollary of the first, is open opposition to Communism and close alliance with the West. The third concerns a solution to the Arab-Israeli conflict and the need for Arab unity. The fourth is identification with the aspirations of the developing

countries. It believes strongly that it should be able to alter the existing economic imbalance against the Third World by using its wealth—in its role of a country still underdeveloped in terms of infrastructure and the shape of its domestic economy—as aid and as a negotiating lever against the industrialised countries.

One result of these far-reaching principles is that Saudi Arabia receives a constant stream of visitors from all parts of the globe (except the East Bloc) on a scale perhaps unequalled elsewhere. It has meant, too, that in the Arab world, it has had a hand in bringing Egypt and Syria together after the acrimony of the second Sinai agreement and the Lebanese civil war. Its mediation efforts have involved it, too, in Western Sahara and between Syria and Iraq. Its concern with the spread of Left-wing influence has led to its wooing the People's Democratic Republic of Yemen in Aden with aid, and checking the Gulf states and North Yemen for signs of internal subversion and hostile policies. With Iran there is a mixture of competition—Saudi Arabia is keenly aware of how much more powerful militarily the Shah is—and shared interests, for both countries are apprehensive of the effects of the Arab states becoming radicalised and the spread of Soviet influence.

Saudi Arabia's aid policies tend to be dominated by concern for countries with Islamic connections, stretching from Niger in Africa to Pakistan (where the reassertion of strict Islamic values is no mere coincidence), to Indonesia in the Far East. In the past six months Saudi

Arabia has suffered two disconcerting experiences in its foreign policy. These emphasise the fact that, while there is considerable confidence that domestic developments are making satisfactory progress, it is events abroad which cause most alarm.

The first was President Sadat's decision to go to Israel last November. It is unproven whether Sadat did or did not consult King Khaled before going. But the statement issued by the Saudi Government at the time reflected less concern with the taboo-breaking exercise of an Arab leader negotiating directly and publicly with Israelis than its concern with the effects on Arab unity.

Sadat's initiative put the Saudis on the spot, for their aid to Egypt had been on a massive scale and virtually ensured that the President stayed in power. (Saudi aid goes on a considerable scale to all the frontline forces such as Syria, Jordan and the Palestine Liberation Organisation besides Egypt.) But by deciding alone to go to Jerusalem, Sadat had awakened Saudi Arabia's worst fears of what might happen in the event of failure and diplomatic deadlock—a process which has been stimulated further by Israel's large-scale invasion of South Lebanon.

Saudi Arabia's worries about what might happen if President Sadat were removed or forced to resign mean in effect that he has to be supported in almost everything he does short of concluding a bilateral deal with Israel. Otherwise they see a somewhat alarmist sequence of events whereby he might be replaced by a ruler of the Left who would invite the Soviet

Union back in with political and military support. Thereafter a radical alliance with Syria would be forged to which Iraq might attach itself. King Hussein would be isolated in Jordan and Saudi Arabia left alone as the only sturdy bastion against anti-Western and pro-Communist Arab countries.

One of Saudi Arabia's aid techniques is to provide countries such as Syria with comparatively limited supplies to ensure, as it were, good behaviour. This method had its desired effects on Damascus last year when Riyadh wanted to show OPEC conference last December, Saudi Arabia put its weight behind a price freeze for 1978, a position it has endorsed since, in spite of the loss of earning power from the weakening of the dollar.

In this context, Saudi Arabia has controversially put the broader issues of the Western economies above the narrower interests of the oil producers. It attempted to put the weight of its enormous oil productive capacities last year to preserve the two-tier pricing system after the OPEC conference in Doha in 1976. At the Caracas OPEC conference last December, Saudi Arabia put its weight behind a price freeze for 1978, a position it has endorsed since, in spite of the loss of earning power from the weakening of the dollar.

But another aspect of the failure over Somalia is that Saudi Arabia is aware that it failed to receive the follow up Arabia senses that it is not receiving the returns it would like for its generally moderating

roles in the Middle East, and in the Organisation of Petroleum Exporting Countries (OPEC). It might have expected from the West in its anti-Communist drive. In wider terms Saudi

has controversially put the broader issues of the Western economies above the narrower interests of the oil producers. It attempted to put the weight of its enormous oil productive capacities last year to preserve the two-tier pricing system after the OPEC conference in Doha in 1976. At the Caracas OPEC conference last December, Saudi Arabia put its weight behind a price freeze for 1978, a position it has endorsed since, in spite of the loss of earning power from the weakening of the dollar.

## Frustration

But what has Saudi Arabia obtained in return? At the heart of this frustration lies its relationship with the U.S. The U.S. now depends on Saudi Arabia for up to one quarter of its supplies of oil, and Saudi Arabia put as much as \$40bn. into the U.S. economy in the last four years. In return the U.S. is undertaking massive efforts to develop and modernise the Kingdom's economy and its armed forces.

At the same time, the U.S. is pressing Saudi Arabia to raise its oil production capacity to meet its demands in the middle of the next decade and is urging it to continue its moderate role in both the Middle East and OPEC. But it is becoming increasingly clear, too, that Washington is not giving Riyadh the public acknowledgment that it deserves (Page IV) indicates, the Government for its efforts so far. For has been having success in Arab world.

example, Saudi Arabia will be deeply distressed if Congress blocks the sale of 60 F-15 fighters. Saudi Arabia is obviously anxious on the one hand for the prestige and fighting power of the Air Force to be enhanced. But they will not be delivered before the end of the decade.

What is of more immediate interest—and the delicate but important matter of pride is involved—is that Washington should be demonstrating publicly that the joint interests of Washington and Riyadh are at least as important as those of Washington and Jerusalem. But again, the Saudi room for manoeuvre is limited. It cannot turn to the Soviet Union as an alternative for it has no links with any members of the East Bloc. Furthermore the economic fortunes of the two countries have become so intertwined that any violent reprisal could ultimately be counter-productive.

In the end there is probably only one set of circumstances which would bring Saudi Arabia into direct conflict with the West—another war with Israel. Then it would be forced to choose between remaining the friend of the U.S. and the West, or playing a pan-Arab role. Logic could well present a reasonable case for holding back from an oil embargo or military involvement. But Saudi Arabia cannot operate as a key influence behind the scenes in the Arab world during times of peace and then opt out in war. The perils of such a dilemma are obvious.

In any fighting, Saudi Arabia's comparatively inexperienced troops and new equipment would be likely to suffer heavy losses. This in turn would raise questions about the wisdom of having spent enormous sums on the armed forces. On the economic side, the inevitable call for the imposition of an Arab oil embargo would be almost irresistible—with the problems this would inevitably cause to western economies and Arab investments, and at second remove the Saudi economy.

This comes back to the heart of the matter for Saudi Arabia is half-way through a \$142bn. five-year development plan aimed at reshaping the Kingdom and demonstrating the Government's concern for the welfare of its citizens. As the article on the economy (Page IV) indicates, the Government has been having success in Arab world.

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Part 2 of this Survey, to appear on Tuesday, March 28, will include articles on:

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Roads
Saudia
Education
Bedouin
Sport

reducing inflation, breaking down bottlenecks and establishing the basis of an infrastructure to cope with proposed scale development.

There is, too, confidence that the existing political structure, led by King Khaled, Crown Prince Fahd and members of the royal family and an informal and traditional system of consensus, and guided above all by the principles of Islam, is sufficiently capable of withstanding the strains imposed by rapid economic development, broader education and experience of the outside world. But this internal confidence could be shaken if Saudi Arabia feels it is not receiving the support and acclaim it feels it deserves from its friends outside the Arab world.

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## SAUDI ARABIA II

Political life in Saudi Arabia is dominated by the royal family, headed by King Khaled. The main criticism is that the country's approach to development is not adventurous enough. But Saudi Arabia is too well aware of its position as an Islamic leader to allow outside pressures to change its traditional methods too swiftly.

# Politics

EARLIER THIS year a Saudi newspaper published the text of draft proposals for municipal elections. Some observers, particularly in the West, have taken this to be an acknowledgment by Saudi Arabia that its traditional monarchical system feels some pressure for the need to evolve, and to become more obviously responsive to the voices of its people.

Such a view is generally mistaken. An important point to be made about the political system of Saudi Arabia is that as the Kingdom has increased its influence in the Arab world and outside, through oil, money and Islam, so its whole way of life and values have been increasingly passed under a microscope for detailed examination by the rest of the world. There has been a tendency for people to conclude that the existing system is an anachronism and will therefore have either to adapt itself or be cast aside.

From time to time, mention has been made of introducing new governmental bodies. In 1975, for example, Crown Prince Fahd talked of the formation of a consultative assembly to bring in younger, non-royals into the decision making process. But nothing has developed since then. Indeed, there is no evidence inside the Kingdom of concerted moves to change the existing system. People questioned about their reactions to the article about municipal elections tended to show complete indifference to the question of initiating a formal voting process, even into local government.

Saudis have an innate sense of confidence in the way King Khaled, the royal family and ministers run the country. In spite of exposure through travel, education and the transfer of technology to other political systems and mores, and in spite of rapid economic change and the emergence of new social attitudes and classes, Saudi Arabia has in the last quarter of a century shown



Left, King Khaled. Now in better health. Above, Crown Prince Fahd, an experienced number two.

considerable stability. It survived the trauma of the formal deposition in November, 1964, of King Saud and his replacement by King Faisal, through the crucial agreement and support of the royal family and endorsement of the ulama, the religious leaders. It survived in June and September, 1969, two abortive coup attempts. In March, 1975, King Faisal was assassinated by a deranged nephew. Nevertheless, the succession to the throne passed smoothly to the present King Khaled.

### Speculation

During the period of King Khaled's ill health last year, there was speculation that he

might step down in favour of Crown Prince Fahd. His health has now improved and the rumours have subsided. But more important than the speculation were two points. The first was that King Khaled continued, in spite of his poor health, to be treated fully as the King when important decisions were involved. Second, he has in Fahd a man able and experienced in politics, and not reluctant to govern if called to succeed to the throne.

There are useful parallels to be drawn with Kuwait, where the Ruler died on the last day of 1977. There is in Saudi Arabia, were a similar development to occur, the transfer of power to an experienced number two would almost certainly be smooth. If there was to be political jockeying it would be on the third level—for the position of Crown Prince. Princes Abdullah and Sultan are those most frequently mentioned as contestants for this position. But both royal families have made every effort to ensure that there would be continuity and stability in government.

At the heart of Saudi politics is the royal family. Thanks to the prolific King Abdul-Aziz, who had over 40 male heirs at the time of his death, it may currently number between 4,000 and 5,000, including grandsons and daughters. The family, through its country-wide tribal links, acts both as a channel of information for people's feelings and as an informal but intensely loyal security service.

The royal family is highly sensitive to what it regards as impertinent probing into its private affairs and its running of Government. But with Saudi Arabia's influence on the increase it is inevitable that outsiders and foreign governments will seek more and more to understand how decisions are made and by whom. But Saudis remain extremely secretive about the political processes of the Government.

King Khaled and Crown Prince Fahd work well together in tandem. A certain prominence has been given to the notion that Fahd is the real power behind the throne. This derives from the fact of the King's ill-health and from his being closer to the tribes and not as instinctively inclined as Fahd towards international politics and the day-to-day problems of modernisation. Nevertheless, Khaled is now deeply involved in the resolving of all important decisions.

Through the extended royal family and its connections, decisions are arrived at through a process of consensus and in response to popular attitudes. The decisions themselves are made in a series of conclaves, whose exclusivity reflects the importance and nature of the issues under discussion. For some of the most intimate discussions, the King might consult only his three half brothers. (A detailed analysis of the family's genealogy is given on page XIX.) Other meetings might include Prince Fahd or Prince Abdullah, the second deputy Prime Minister, and commander of the National Guard. Others might involve the 40 or so members of the Council of Elder Princes. At each stage, professional advice from relevant ministers or advisers would

### ISLAMIC CALENDAR

This is based on the Hijrah, the migration of Prophet Mohammed from Mecca to Medina which took place on July 16, 622 AD, which is year one in the Islamic Calendar. It is the official calendar in Saudi Arabia. The calendar is lunar, and each year has 354 or 355 days, the extra day being intercalated times every 30 years.

There are twelve months:

1. Muharram	30 days	7. Rajab	30 days
2. Safar	29 days	8. Shaaban	29 days
3. Rabi' I	30 days	9. Ramadan	30 days
4. Rabi' II	29 days	10. Shawwal	29 days
5. Jumada I	30 days	11. Dhul-Hijja	30 days
6. Jumada II	29 days	12. Dhul-Hijja	29 or 30 days

The Hijri year begins on the day of the month indicated:

ISLAMIC	CHRISTIAN
1390	1970 March 9
1391	1971 February 27
1392	1972 February 16
1393	1973 February 4
1394	1974 January 25
1395	1975 January 14
1396	1976 January 3
1397	1976 December 23
1398	1977 December 12
1399	1978 December 2
1400	1979 November 21
1401	1980 November 9

Festival dates are determined by the moon, and there are many local differences. It is therefore advisable to avoid them (especially Id al-Fitr) by some days both before and afterwards.

Moulat al-Nabi (Prophet's birthday)	February 20
Leilat al-Miraj (Ascension)	July 3
Ramadan begins	August 4
Id al-Fitr (end of Ramadan)	September 4-7
National Holiday	September 12
Id al-Adha (Feast of the Sacrifice)	November 11-14
1st Muharram	December 2
Ashoura	December 12

### FINANCIAL YEAR

This is of 12 months' duration, but begins in Rajab, the seventh month of the lunar Hijri year. Thus, the year 1396-97 lasted from June 28, 1976, until June 17, 1977, and the year 1397-98 will last from June 18, 1977 to June 7, 1978.

be sought, but the ultimate decisions would lie with these groups.

If a division is visible within the family it emerges over the question of the pace of modernisation. It also reflects the overall political balance in the family. On the one hand, and in favour of a more adventurous approach towards development, is a group led by Crown Prince Fahd. He can look to the support of six other princes, all born of the same mother and known as the "Sudeiri Seven." These are Sultan (Minister of Defence and Aviation, and therefore in command of the armed forces), Salman (Governor of Riyadh), Nayef (Interior Minister), Sultan (Deputy Governor of Riyadh), Turki (Deputy Defence Minister, and as announced on Riyadh Radio on September 9 appointed the head of intelligence), and Ahmed (Deputy Governor of Mecca).

Corps of the U.S. Its importance lies first in its being made up of tribesmen, primarily from the central Nejd province, well-known for their fierce loyalty to the Wahhabi dynasty (they have responsibility, too, for the oil fields). Second, with an eye to army-backed coups in other Arab countries, it constitutes a counterbalance and check as well as a complement to the formal armed forces.

Abdallah's appointment as second deputy Prime Minister has much to do with Khaled's desire to counterbalance the Sudeiri clan, and Abdallah enjoys, in addition to the King's support, that of his half-brother, Mohammed (the Governor of Medina), and Mishal (the Governor of Mecca) and the late King Faisal's son Saud (the Foreign Minister).

At the same time it is important to feed into the Saudi governmental system the role of the ulama, the religious leaders. It is a source of current speculation whether their influence, which has in the past been especially noticeable on the upper echelons of the royal family and as a counterweight to the modernising tendencies of the Council of Ministers, is waning. Some observers have concluded that the apparent reinforcing of Islamic edicts on such things as western dress are signs to keep them contented. Nevertheless, it is significant that the ministries of Justice (Ibrahim el-Sheikh), Education (Abdel-Aziz el-Khuwair), and Higher Education (Hassan el-Sheikh), all of which are closely connected with Islam and the shaping of future Saudi society, are held by people known for their conservative views of Islam.

The royal family has delegated some control of Government positions and offices to people outside its immediate circle. In the present cabinet princes occupy eight—admittedly important—posts out of 26 (and all provincial governors and their deputies positions). But as a sensible insurance against the future they have worked to have young princes well educated to occupy important governmental positions. At the same time, there have come to the fore in the Council of Ministers a number of highly-talented non-royal technocrats such as Ahmed Zaki Yamani, the Minister of Petroleum and Mineral Resources, Dr. Ghazi el-Gosaibi, the Minister of Industry and Electricity, Mohammed Ali Abu'l-Khail, the Minister of Finance and Economy, and Hisham Nazer, the Planning Minister.

It is believed that in the current major debate behind the scenes about how far Saudi Arabia should push its role publicly on such crucial issues as oil, relations with the U.S. and the Middle East conflict that the royal family is advocating characteristic caution, while the non-royal technocrats, comparatively without political power, seem tantalised by the political challenges which raising, say, the productive oil capacity to meet projected long-term demand levels might bring.

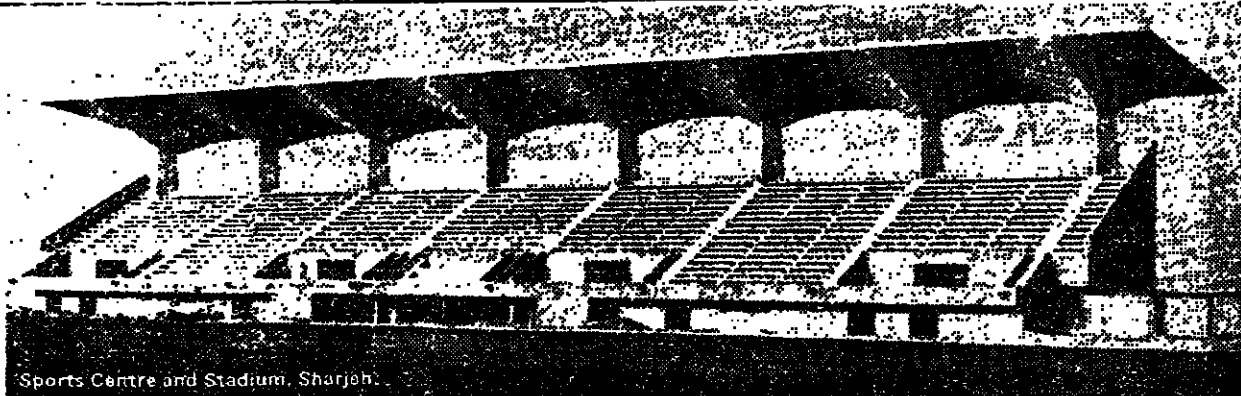
The Council of Ministers was initially set up by one of King Abdul-Aziz's last decrees before his death in November, 1933. Its duties were more carefully defined in statutes issued in May, 1958, but then as now, even though there is more theoretical responsibility on the monarch for decisions, the council's role is largely to formulate policy and to recommend its execution. Hitherto this system showed every sign of being able to cope with the increasingly complex decisions which are being asked of it. One key will lie in expanding the dialogue between the royal family and the growing ranks of Western-educated technocrats. There are three possible areas of strain which will have to be confronted in coming years. The first will come with the increasing sophistication of the economy and the problems of running a changing society, which will inevitably increase the influence of the technocrat. Second, the traditional *wafta* where any person of any rank may come and proffer his problems, complaints or suggestion to his sheikh, tribal leader or even the King himself, may be weakened as Government becomes more bureaucratised and centralised. In this process the direct and traditional link and accessibility of the ruler and his subjects may become eroded.

The third challenge is likely to come from the emergence of new social classes, from people who through their jobs as civil servants, businessmen, engineers, army personnel, and skilled workers may claim recognition as a result of their contribution to Saudi Arabia's economy for the first time because of the influence they exert rather than their family background or tribal links.

### Pattern

The system keeps going, and will continue thus for some time—for various reasons. First, even if it does not fit neatly into western patterns of accountability, it is broadly responsive to and aware of what the Saudi public wants. Second, there is considerable pride in the way Saudi Arabia's position in the world has been enhanced and this is attributed to Islamic moral guidance. Third, it is clear that whatever the potential contradiction between a system dominated by the royal family and Islam and the emergence of a more materialistic society, there are few indications of discontent with the way it works. Fourth, there is the ultimate solidarity of the royal family itself. Invariably there are disagreements, but in the end personal ambitions are likely to be subordinated to the interests of the family as a whole. It requires limited insight to understand that a serious split in the House of Saud would endanger the survival of the whole political edifice.

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## SAUDI ARABIA III

Although Saudi Arabia's emergence as the biggest aid donor in the world after the U.S. derives partly from a humanitarian desire to assist poorer nations, the direction of this aid is also influenced by political considerations and is used as a foreign policy tool.

## Aid policy

SAUDI ARABIA is the biggest aid donor in the world after the U.S. According to OECD and UNCTAD figures the Kingdom disbursed no less than \$3.6bn. in 1976, which worked out at 5.2 per cent. of GNP, compared with about 0.25 per cent. for the U.S.

Among the motives for Saudi aid is the basic humanitarian desire to benefit poorer nations—an extension of the Muslim principle of zakat or alms giving. Another is the belief that the 1973-74 oil price revolution, in which Saudi Arabia played a key part, was a blow struck by all developing countries at the western world's economic system; by which the industrialised countries paid cheaply for raw materials while largely excluding the developing countries from the manufacturing process on which much of their wealth was based. Until such time as other developing countries can change the terms of trade as dramatically as have the OPEC countries, Saudi Arabia feels it should assist them out of a feeling of Third World solidarity—although it believes that the real responsibility for aiding them lies with the industrial countries.

An extension of this motive is the feeling that the Arab states in particular have suffered in the past at the hands of the western countries. Now the Arab world has the opportunity to strengthen itself as part of a general Arab revival. For Saudi Arabia this Arab revival extends logically to a wider Islamic revival.

Saudi Arabia does not see itself compensating poorer countries for the rise in the cost of their oil imports for which the Kingdom was to a large extent responsible. Instead it prefers to look on aid to countries badly affected by the oil price rise as an obligation resulting from the Kingdom's sudden acquisition of wealth (its aid programme barely existed before this decade).

Aid is used, in part, as a foreign policy tool. This barely applies to such institutions as the Saudi Fund for Development (SFD), the State's outlet for direct project aid, although even the SFD does not make loans to countries with which Saudi Arabia is on bad terms. But the political dimension shows in Saudi Arabia's disinclination to become too deeply involved in multilateral aid giving. It has contributed to the IMF recycling facilities and to the World Bank, and has paid \$1.9bn. over the 1973-76 period to the capital of OPEC and OIAPEC aid and financial institutions, such as the General Organisation for the Development of Egypt (GOE), the Arab Investment Company and the Arab Bank for Economic Development in Africa (ABEDA): it is also paying a large sum (\$105.5m.) to the OPEC / OECD International Fund for Agricultural Development (IFAD). But these sums are overshadowed by the Kingdom's total aid.

## Strength

But the fact is that the direction of Saudi aid is to a considerable extent dictated by political considerations. While Saudi Arabia's power with the industrial countries derives more from its role as an oil exporter, its influence both in the Arab world and within non-Arab Africa and Asia is based largely on its financial strength.

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ment (IFAD). But these sums are overshadowed by the Kingdom's total aid. The bulk of Saudi aid is disbursed in the form of grants or very concessional loans by the Ministry of Finance on the orders of senior Government members to countries in areas where Saudi Arabia has a major policy interest. Two obvious such areas are the Middle East, where Saudi assistance—and the "Horn" of Africa, where Saudi Arabia last year not only played a big part in wooing Somalia away from the Soviet Union but also in a large extent financed its ultimately disastrous war with Ethiopia.

Only part of Saudi grant aid to these states is a regular subsidy which can be used as balance of payments support or to meet budget deficits. Saudi grants tend to be given on a one-off basis, so that the rulers of the beneficiary states, such as President Nimer of Sudan or President Siad Barre of Somalia, must constantly come to Saudi Arabia to ask for more. The Saudis argue with some justification that this is a safeguard against aid being wasted on such things as luxury imports, although it is hard to accept that countries as a whole would not benefit at all from regular budget or balance of payments support. The Saudi pattern of aid giving ensures that the aid donor has maximum political leverage over the beneficiary.

Because of its irregular, political and often clandestine nature it is virtually impossible to arrive at figures for total Saudi aid to individual countries. Indeed, the figures for total aid committed and disbursed (the latter rose from \$2.37bn. in 1974 through \$3.57bn. in 1975 to \$3.6bn. in 1976) are compiled from non-Saudi sources. The Arab front line states are assisted in a large number of separate ways—Egypt, for instance, obtains funds from Saudi Arabia agreed at the Arab summit in Rabat in 1974, funds arranged through GODE, grants for military purchases, other special grants and project aid from the SFD. No frontline state wants to reveal how much it obtains from each donor country.

North Yemen, with one of the poorest treasuries in the Arab world, receives considerable budget assistance on a regular basis from Saudi Arabia (as well as SFD finance), and the Kingdom naturally observes closely political developments in this the most populous country in the Arabian peninsula. Saudi Arabia has in the past two years made grants to the People's Democratic Republic of Yemen (South Yemen), although without succeeding in luring it away from the Soviet camp. The Saudis give budget support to Oman, where oil revenues are levelling out and expenditure rising, and the SFD is to finance a major development project for building new roads and administrative centres in Dhofar, where the war with guerrillas of the Popular Front for the Liberation of Oman ended only in 1975.

In Sudan, Saudi Arabia has given some short-term financial assistance (in addition to committing considerable project

AID COMMITTED AND DISBURSED BY SAUDI ARABIA, \$bn.				
	1973	1974	1975	1976
Commitments	0.693	3.78	5.1	3.94
Disbursements	0.34	2.37	3.37	3.6

Source: UNCTAD and DAC statistics.

finance) and is understood to be paying for the gradual replacement of the armed forces. The Kingdom appears to be anxious for the Sudanese Government to restrain its spending in order to improve its balance of payments and deficit financing position.

Saudi assistance to Somalia, since 1974 a member of the Arab League, began relatively late, the Kingdom only overcoming most of its suspicions about the formerly Moscow-oriented regime last year. Apart from some project aid, its main assistance to Somalia in the past 12 traumatic months in the Horn of Africa appears to have been devoted to keeping the Somali war effort going. Saudi Arabia was rewarded by the eviction of the Russians last November, but this has been more than offset by the strong Russian and Cuban presence in Ethiopia.

Outside the Arab world the focus of Saudi aid tends to be on Islamic countries, of which Pakistan (where the Saudis played an important part in last year's political crisis) appears to have done best by the Saudis. Indonesia and Malaysia in Asia, and Mali, Niger and Uganda in Africa are examples of Islamic beneficiaries of Saudi aid. Congo (Brazzaville) and Guinea (Conakry) are among the few non-Islamic recipients of Saudi aid.

The SFD has now disbursed about \$R1bn. compared with commitments of about \$R9bn. (\$2.8bn.) and aid agreements signed by mid-February this year of \$R5.8bn. (\$1.7bn.). Considering the problems associated with the rapid disbursement of project finance—including the need to evaluate projects, arrange aid packages and pay out cash only at the rate the recipient country can execute the project—this represents a considerable achievement for the SFD, which began operating in 1975.

The Fund accepts that as a relative newcomer to project finance it cannot have the staff and experience to do much project evaluation itself (and its technical assistance programme is only now beginning). It collaborates on project financing with other aid organisations and accepts feasibility studies from other organisations such as the World Bank, without, in the words of its president Dr. Mahsun Jalal, "wasting time doing the whole study all over again."

The fund's largest commitments are to infrastructure development, followed by water and electricity, then agriculture and finally the social sector (health and education). It does not intend to back commercially profitable ventures (which can obtain funds elsewhere). A recent analysis of its loan agreements shows that the average grace period is just over five years, that nearly 40 per cent. of the finance in its agreed loans is on grant terms, and that the average interest rate on all

## Headquarters

Although it is not a direct instrument of Saudi aid policy, the Islamic Development Bank has the Kingdom as its largest shareholder, is housed in a former palace of the late King Faisal and has been given land by the State on which it is building its new headquarters. It is an international organisation, a bank operating on Islamic principles with about 30 Muslim countries as shareholders. Its subscribed capital is 765m. Islamic Dinars, an Islamic Dinar being the equivalent of an SDR.

The IDB began operating in October, 1975 and a clear pattern of its operations is now emerging. It does not charge interest—in accordance with the Sharia—and instead finances itself by the proceeds of trade financing, profit sharing and direct and indirect equity participation in projects. By the middle of February this year it had approved long term loans totalling ID67m. to 13 countries ranging from Cameroon to Bangladesh; a small administration charge is levied.

It has also approved direct and indirect equity participation in some 13 projects with a commitment totalling ID54m.: two leasing operations (for a cargo ship for Bangladesh and a tractor assembly plant for Turkey) worth a total of ID15m.; foreign trade deals with eight different countries totalling ID81m.; and an ID4m. participation on profit-sharing terms in a housing project in Dubai. Including its small technical assistance programme the IDB has approved commitments of \$273m.

James Buxton

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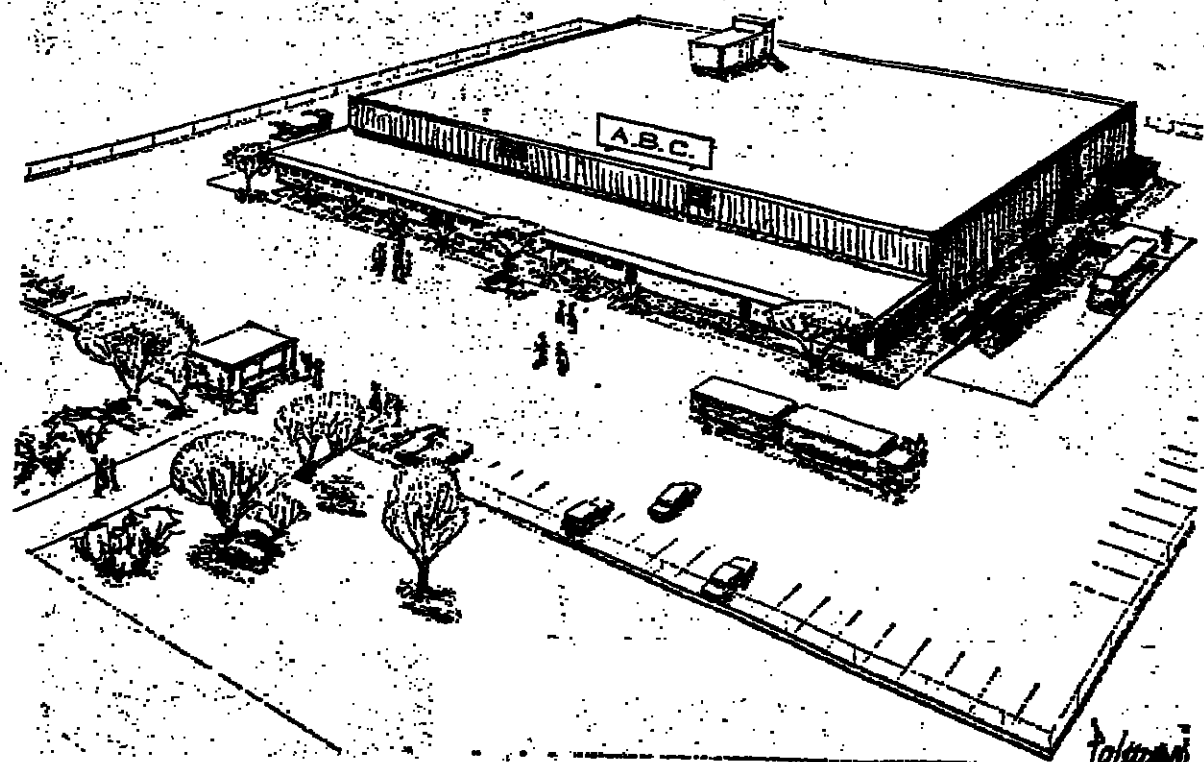
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## SAUDI ARABIA IV

The Saudi economy has settled down. Inflation has fallen, demand has eased, while goods and services are easier to obtain, and this has been achieved without sending the country into recession. But some sections of the community have still to benefit from Saudi Arabia's enormous wealth.

# The economy

**SUPERFICIAL IMPRESSIONS** ports up more than 12 times and can be significant. Saudi Arabia construction material imports is a far more pleasant place to double.

Bottlenecks have been broken year ago. You can usually get a hotel booking and find the room waiting for you when you arrive. Taxi drivers are a little less rapacious — though more expensive. The food is better. And for the most part service in hotels, restaurants and shops is strikingly improved.

This microeconomic situation accurately reflects the whole economy. In the past year, mainly as a result of Government action, the pressure of demand has eased, while the supply of goods and services has increased. By the end of last year the annual inflation rate had dipped below 10 per cent., according both to the official cost of living index and to independent measurements. The official index (whose weightings are out of date) almost reached 40 per cent. in mid-1975 and stood at close to 36 per cent. in the third quarter of 1976.

Yet although the economic growth rate has slowed in the past 12 months there is no recession or stagnation such as is occurring in some of the other surplus revenue oil producers in the region. Although businessmen are now making smaller profits and have fewer opportunities to make windfall gains out of speculation, there appear to have been virtually no bankruptcies. Construction is forging ahead (at one site in Jeddah about 30 tower cranes are visibly in operation) and last year's import through Jeddah were 88 per cent. higher in volume than those of the previous year, with equipment and machinery im-

## GOVERNMENT REVENUES AND EXPENDITURE

	1974-75	1975-76	1976-77	1977-78
Revenue	94.1	95	99.5 (est.)	n.a.
Oil (actual)	5.9	6	11.4 (est.)	n.a.
Non-oil (actual)	100.1	101	110.9 (est.)	146.4 (est.)
Expend. (actual)	33	77.4	—	—
Surplus (actual)	65	23.6	—	—
Expend. (est.)	88	111	111	111

Source: Ministry of Finance and National Economy.

## COST OF LIVING

Year	Index (1974 equals 100)	Percentage change over four quarters
1973/1	124.0	—
1973/2	123.2	—
1973/3	127.5	—
1973/4	133.3	—
1974/1	145.4	17.3
1974/2	143.9	20.9
1974/3	159.2	24.9
1974/4	163.4	22.6
1975/1	191.4	31.6
1975/2	207.8	39.6
1975/3	207.9	30.6
1975/4	223.1	36.5
1976/1	249.0	30.1
1976/2	269.7	29.8
1976/3	282.4	35.8
1976/4	281.1	36.5
1977/1	297.4	19.4
1977/2	297.2	10.2
1977/3	308.7	9.3
1977/4	—	8.6

not having to pay congestion surcharges and demurrage, and the indirect savings were probably far greater.

When the 1976-77 budget was announced in June, 1976, the upper spending limit for the year was fixed at SR11bn. (\$31.7bn.), the notional figure for the previous year. In fact, spending the previous year had reached SR7.7bn. (\$22bn.) but if it had continued at its current rate of growth it would easily have surpassed the limit. The imposition of the same upper spending target made it necessary — at least in theory — for the only Ministries which came close to spending their full allocations — defence, communications and education — to curb expansion, while it had an important psychological effect in reducing inflationary expectations.

At the same time nothing was done to overcome the normal bureaucratic delays that hindered getting certain development projects off the ground, and the more marginal or extravagant projects were quietly dropped or postponed. Though no figure has been released for actual spending in 1976-77, it is understood to be well below the limit. The same spending limit has been set for the current financial year. In an economy where 75 per cent. of liquidity is the counterpart of Government spending, this would inevitably, if gradually, have an effect on inflation.

Inflationary pressure forced both Government and business to put as little extra strain on the infrastructure as possible and to try to skirt bottlenecks. For example, there has been a rash of prefabricated construction in Saudi Arabia, cutting down on labour costs and bulky shipments of cement and aggregate (even sand has to be imported because Saudi sand is mostly too smooth and chemically corrosive). There is a prefabricated dental hospital in Riyadh, prefab schools are going up all over the country and a prefab air terminal is under construction to tide Jeddah over until the new airport, in area the largest in the world, comes into operation in about two years' time.

Foreign contractors working in Saudi Arabia are now responsible for housing their own labour force. Special "temporary" ports are being built and are nearing completion to cope with imports solely for the Government's housing programme, which is shortly to get underway on a large scale. The Ministry of Defence is increasingly importing its construction materials through its own port facilities.

But while the Government was taking fiscal measures to reduce inflation, spending was barely restrained at all in some fields and some quite phenomenal sums of money were spent. Though making up about a third of budget allocations, actual spending on defence in 1975-76 and 1976-77 appears to have amounted to no less than about half total Government spending, since most other ministries underspent. Some of this has gone abroad on arms and equipment purchases and within 15 days of arrival. That in the face of some patriates employed in Saudi powerful protests, it was only Arabia. The bulk of it, however, has been spent on construction projects — such as extravagant new military cities (or garrison towns), airfields, roads, naval bases and so on. In the following months the economy saved about SR2bn. (\$6.6bn.) from

## Unable

Inexperienced, lacking information and having little understanding of the processes operating, the Government was at first unable to halt the developing chaos. For reasons of pride it was reluctant to slow progress towards the targets of the 1975-80 \$142bn. development plan. It was not until mid-1976 that it seriously began imposing a set of measures aimed at reducing the pressure on the economy.

The first major step to take effect was the clearing of the ports. New port capacity was already coming into use at Jeddah and Dammam, and management methods were gradually being improved. But it took the appointment of a tough administrator, Dr. Fayez Badr, former Deputy Planning Minister, to force through a set of draconian regulations of which the most crucial was ordering importers on pain of having their goods auctioned, to clear cargoes from the ports and within 15 days of arrival. That in the face of some patriates employed in Saudi powerful protests, it was only Arabia. The bulk of it, however, has been spent on construction projects — such as extravagant new military cities (or garrison towns), airfields, roads, naval bases and so on. In the following months the economy saved about SR2bn. (\$6.6bn.) from



The commercial centre of Jeddah.

per cent. of the debt "forgiven" that the Saudi economy has been able to absorb such immense sums of money. But what has been achieved in terms of physical assets has cost much more than it would have done almost anywhere else. It is alarming to think of the future expense of servicing the highly sophisticated infrastructure now installed, since in a country with a small indigenous population it will depend largely on expatriate labour. And although the administration is improving there are still some frightening examples of lack of co-ordination within the bureaucracy; recently, for example, work had to be halted on a SR3.25bn. (\$9.9bn.) oil refinery expansion project at Jeddah after SR1.7bn. (\$5.1bn.) had been spent because it was finally accepted that the refinery was dangerously close both to the port and to a naval base.

It is also disturbing that many of the poorer members of the community — mostly immigrants but also some Saudis — have not benefited as much from the boom as have richer members of the population. Although wages have in many sectors been relatively high, the Government has not been able to provide them with the means to enjoy a higher standard of living — the State housing project for lower income groups is only now getting under way, a year and a half late. The little shacks made of tin, wood or cardboard that cluster in the waste areas between the homes and offices of the rich are a constant reminder of relative poverty.

But with the economy now under control the prospects for this group look better, and Saudi Arabia is lucky to be able to build its future growth partly on a sturdy and efficient business community. The difficulties of the past year and a half have tended to concentrate business in the hands of larger groups, and even they have in some cases got long inventories while there are parks full of unused road-making equipment — a victim of spending cuts. But the non-oil private sector, whose growth in 1976-77 far exceeded the plan target, should be ready and indeed is anxious for fast growth of the Saudi economy to resume.

James Buxton

## GROSS DOMESTIC PRODUCT

SRm. at constant prices 1389/90

Fiscal year	1388-89	1389-90	1390-91	1391-92	1392-93	1393-94	1394-95
<b>A — Industries and other producers except of government services:</b>							
Agriculture, forestry and fishing	956.5	984.1	1,017.5	1,050.1	1,088.7	1,129.6	1,174.1
	6.0	5.7	5.1	4.6	4.0	3.6	3.6
Mining and quarrying:							
(a) Crude petroleum and natural gas	7,084.9	8,106.3	9,922.1	12,427.0	15,556.0	18,158.1	17,339.4
	44.5	46.6	49.8	54.1	56.6	57.8	53.3
(b) Other	50.4	46.7	48.8	55.3	77.4	96.8	122.0
	0.3	0.3	0.2	0.2	0.3	0.3	0.4
Manufacturing:							
(a) Petroleum refining	1,015.5	1,240.9	1,355.3	1,304.4	1,378.4	1,417.2	1,337.0
	6.4	7.1	6.8	5.7	5.0	4.5	4.1
(b) Other	385.3	431.2	483.6	543.0	599.1	665.0	739.5
	2.4	2.5	2.4	2.4	2.2	2.1	2.3
Electricity, gas and water	247.0	273.1	297.9	328.6	381.0	416.6	458.7
	1.6	1.6	1.5	1.4	1.4	1.3	1.4
Construction	1,027.8	933.9	957.2	1,082.7	1,395.8	1,737.3	2,189.0
	6.5	5.4	4.8	4.6	5.1	5.5	6.7
Wholesale and retail trade, restaurants and hotels	960.7	1,007.5	1,051.3	1,145.9	1,375.1	1,622.6	1,945.2
	6.0	5.8	5.3	5.0	5.0	5.1	6.0
Transport, storage and communication	1,139.5	1,242.5	1,467.7	1,544.4	1,848.5	2,224.2	2,720.3
	7.2	7.1	7.4	6.7	6.7	7.0	8.4
Finance, insurance, real estate and business services:							
(a) Ownership of dwellings	602.2	661.0	693.0	731.9	787.4	864.4	950.8
	3.8	3.8	3.5	3.2	2.9	2.7	2.9
(b) Other	341.5	354.7	380.3	377.6	419.8	473.6	535.2
	2.1	2.0	1.8	1.6	1.5	1.5	1.6
Community social and personal services	215.1	238.3	253.0	271.8	287.2	310.5	335.6
	1.4	1.4	1.3	1.2	1.0	1.0	1.0
Less: Imputed bank service charges	-44.9	-46.0	-47.7	-46.0	-41.9	-46.1	-50.7
	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Sub-total	13,981.5	15,474.2	17,860.3	20,788.7	25,152.5	29,068.8	32,796.6
<b>B — Producers of government services sub-total</b>	87.9	88.9	89.7	90.5	91.5	92.2	91.5
<b>GDP in producer's values</b>	14,069.4	15,563.1	17,950.0	20,879.2	25,244.0	29,161.0	32,888.1
Import duties	276.3	246.0	324.5	342.2	362.4	396.7	426.4
	1.7	1.4	1.6	1.5	1.3	0.9	1.0
<b>GDP in purchaser's values</b>	15,904.3	17,389.6	19,906.8	22,663.3	27,496.4	31,543.1	33,560.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Figures in light face indicate the relative share of each activity in total GDP. Source: Central Department of Statistics, Ministry of Finance and National Economy, National Accounts of Saudi Arabia 1388-97 through 1393-94 A.H., March 10, 1976 and preliminary 1393-95 estimates.

## BUDGET GOVERNMENT EXPENDITURE SRm.

Fiscal year	1391-92	1392-93	1393-94	1394-95	1395-96	1396-97
Total expenditure	10,782.0	12,200.0	22,810.0	45,743.0	110,935.0	110,935.0
Council of Ministers and related headings	977.5	1,135.1	1,708.7	5,451.2	10,009.5	9,892.5
Planning	12.5	13.5	23.0	33.4	98.5	77.0
Municipal and rural affairs	644.2	886.9	1,933.4	4,293.9	14,396.3	16,877.6
Public works and housing	15.4	45.5	83.5	136.0	222.1	2,130.9
Information	118.2	165.4	249.7	321.8	802.6	1,164.7
Foreign affairs	79.1	107.9	153.0	221.5	327.2	351.5
Defence and aviation	2,346.5	2,547.4	5,408.2	8,813.2	23,723.7	31,906.4
Interior	735.4	980.3	1,294.2	2,307.2	4,885.8	5,853.6
Labour and social affairs	309.8	347.0	525.8	1,406.6	3,591.9	3,681.1
Health	279.3	420.9	532.8	1,163.0	2,197.4	3,972.7
Education	1,156.9	1,600.0	2,243.2	3,781.2	12,973.9	14,829.8
Communications	1,452.6	1,435.1	2,282.5	4,558.2	11,564.6	16,567.8
Finance and national economy	526.3	773.6	1,340.7	2,032.3	7,431.5	4,372.6
Petroleum and mineral resources	107.8	117.4	174.9	211.6	401.4	429.1
Commerce, industry and electricity	49.8	70.1	90.7	164.2	841.3	1,430.9
Agriculture and water resources	588.6	708.1	1,031.9	1,303.2	2,178.4	2,336.0
Pilgrimage and endowments	88.3	120.2	142.5	243.8	455.3	557.2
Justice and religious affairs	93.3	108.1	132.1	204.5	353.3	418.1
Foreign aid	680.0	680.0	710.0	4,758.0	4,658.1	2,967.3
Subsidies	140.5	155.3	147.0	1,217.6	6,824.6	6,246.4
Public Investment Fund	350.0	250.0	2,552.0	3,000.0	1,000.0	1,900.0
Less: earmarked project expenditure	—	—	467.8	—	—	20,361.1

SAMA: Statistical Summary 1977.

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مركز الأمن البحري





## AGENCIES—CONTRACTING—MAINTENANCE—OPERATION

# DALLAH ESTABLISHMENT BULLETIN OF INFORMATION 1978

### RIYADH HEAD OFFICE

1. NASRIYA ST.  
2. OLAYA ST.  
TEL: 24899  
P.O.B.: 1438  
TELEX: 20036 DALLAH SJ  
CABLE: DALLAH RIYADH

### JEDDAH BRANCH

PALESTINE  
STREET  
TEL: 55422  
P.O.B.: 2618  
TELEX: 40482 AVCO SJ  
CABLE: DALLAH JEDDAH

#### I. MAINTENANCE & OPERATION ACTIVITIES

1. Air Defence Facilities
2. Government Administration Complexes
3. Government Border Centers
4. Government Complexes Training Facilities
5. Hajj (Pilgrimage) Air Terminal Facilities
6. Traffic Lights, Controllers and Systems

#### II. CONTRACTING ACTIVITIES

##### A. MISCELLANEOUS

1. Distribution of surface mail throughout the Kingdom
2. Unloading of cargo from ships by helicopter
3. Establishment and operation of four modern driver Training Schools in the Kingdom
4. Road and Civil Constructions

##### B. ELECTRONIC, ELECTRICAL AND MECHANICAL

1. Installation and commissioning of turnkey facilities involving electronic, electrical and mechanical facilities and installations like Weather Surveillance Radar, Radar, Runway Visual Range Systems, Transmitters, Automatic Stations, etc.
2. Installation and expansion of permanent and interim electricity networks for Government Centers and Complex Facilities
3. Power Generation Plant and Stations

#### III. COMMERCIAL ACTIVITIES

- A. Representation of leading international concerns and procurement and commissioning of Electronic Equipment Systems and complete Turnkey Projects in the fields of:

1. Traffic and Instrumentation
2. Meteorology and Electronics: Radar, Equipment and Turnkey Systems, Navigational Aids, Avionics, Satellite Systems and Weather Stations
3. Air Traffic Control Equipment
4. Instrument Landing Systems
5. Telecommunications:
  - a. Telecommunication Operations and Systems
  - b. Public Telecommunications Systems
  - c. Private Communication Systems
  - d. Microwave Systems
6. TV, Supply and Marketing of Videotapes
7. Simulator Equipment and Electronic Teaching Aids for Driver Instruction, Awareness and Traffic Safety.

- B. Representation of leading Arab TV organisations

- C. Production and distribution of TV Programmes and Series

- D. Representation of Heavy - Motorcycle Manufacturing concerns

- E. Light and Heavy Mobile Workshops for various uses

#### IV. AFFILIATED AND ASSOCIATED COMPANIES AND PARTNERSHIPS

##### I. DALLAH AVCO TRANS ARABIAN COUNTRIES COMPANY LTD. (DATACC).

Undertakes the maintenance and operation of vast civil, mechanical and electrical facilities in the Kingdom of Saudi Arabia and the other Arab countries. DATACC is currently implementing large projects in this field, some of which are:

- A. A five-year contract concluded with the Civil Aviation Department for the maintenance and operation of the civil, electrical and mechanical facilities, installations and terminal buildings and for the implementation of capital improvement programmes of (14) Civil Airports in the Kingdom.

- B. A five-year contract with the Ministry of Defence and Aviation for the maintenance and operation of the civil, electrical and mechanical facilities and installations and the implementation of capital improvement programmes for five Royal Saudi Air Force bases throughout the Kingdom.

- C. Various other maintenance and service contracts with Government Ministries, Agencies and Aramco.

##### 2. THE MEDICAL CENTER COMPANY LTD. (MED-CENTER)

Specialises in the supply, installation and maintenance of modern electro-medical equipment with the co-operation of Philips and Siemens Companies particularly in the field of X-ray equipment. The activities of the Med-Center Co. cover hospital furniture, in-patient and out-patient clinics and turnkey hospitals and mobile hospitals.

##### 3. THE ARAB MEDIA COMPANY (ARMED)

Specialises in Public Media Services and the representation of leading Arab TV organizations and the production and distribution of TV Programmes and Series.

##### 4. THE SAUDI PREFAB & PRECAST HOUSING CO. LTD. (SAPRECO)

Specialises in manufacturing prefabricated and precast housing units of various models.

##### 5. DALLAH INDUSTRIES COMPANY LTD.

Undertakes the study, survey and implementation of medium and small scale industrial projects in the Kingdom of Saudi Arabia.

##### 6. THE CONCRETE WORKS COMPANY

Specialises in the production of concrete and block elements for the Civil Construction Industry.

##### 7. THE SAUDI AIR-CONDITIONING COMPANY

Specialises in the representation of leading International manufacturing concerns in the field of Air Conditioning Equipment. It also undertakes the design, supply and installation of Air Conditioning Systems for miscellaneous installations.

##### 8. AMARTEC COMPANY LTD.

Specialises in Rendering Services, Research and Technology activities related to the Environment.

##### 9. THE SAUDI MARKETING AND TRADING COMPANY (SUMATCO)

Specialises in commercial activities with particular emphasis on the supply and marketing of Chemicals and Medicines.

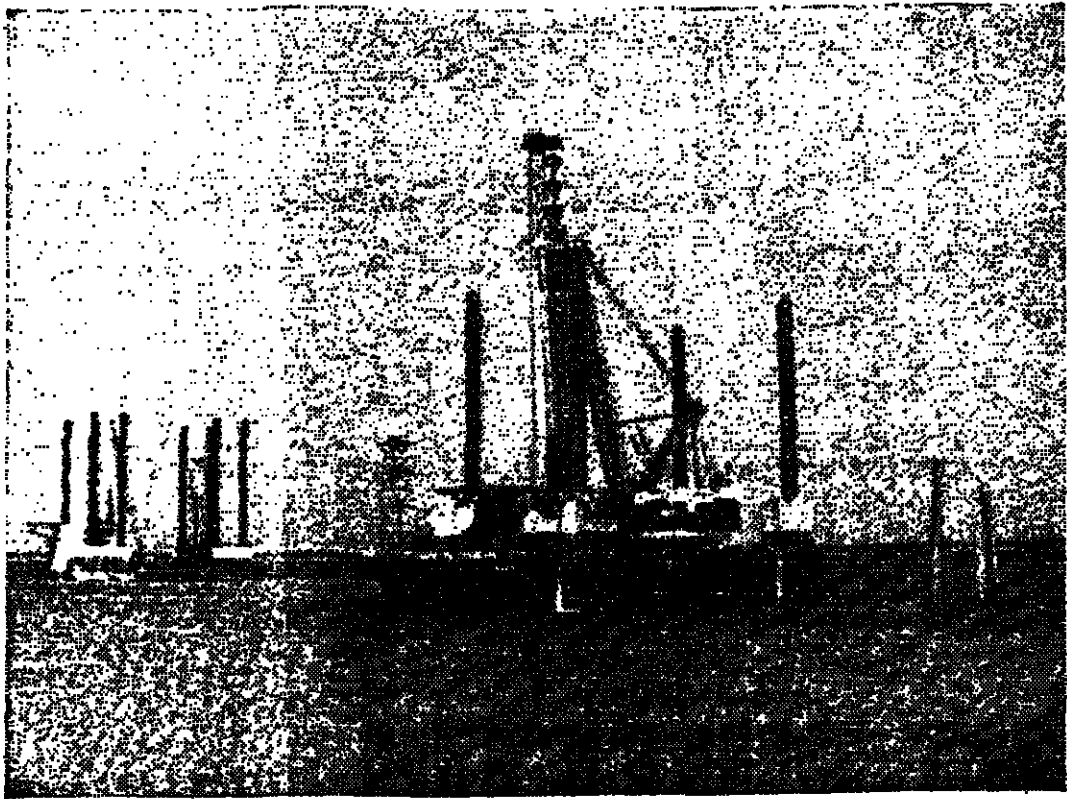
10. Dallah Establishment is also involved in the activities of several leading concerns like Tihama Advertising Agency, Okaz Printing concern, Okas Publishing concern, The Saudi Arabian Hotel and Tourism Company, among others.

#### V. STAFF

The staff of Dallah Establishment and some of its affiliates amounts to about 4,000 employees comprising a large number of engineers and specialists in the various fields of civil and road construction, sanitation, power generation, air-conditioning and mechanical, electrical and electronic installation and maintenance activities. The staff also comprises about 1,500 specialised technicians and assistants to undertake the arduous technical responsibilities of maintenance and operation activities and the other concerns of the Establishment. The administrative staff comprises Top Management Executives, Directors, Accountants, Translators and Study and Analysis Personnel, the remainder are Skilled Labour, Semi-skilled Labour, Ordinary Labour, Drivers, Watchmen, etc.



## Raymond are in the middle of the Middle East

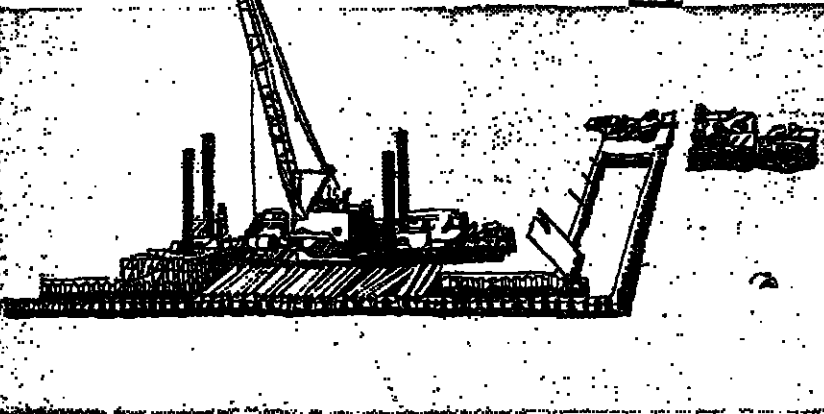


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Raymond have been working in the Middle East for nearly twenty years. Among their completed operations are an oil terminal on Kharg Island in Iran, an offshore terminal in Iraq and a harbour at Zueitina in Libya. Raymond International have also driven piles and carried out site investigation work in most of the Middle East countries.

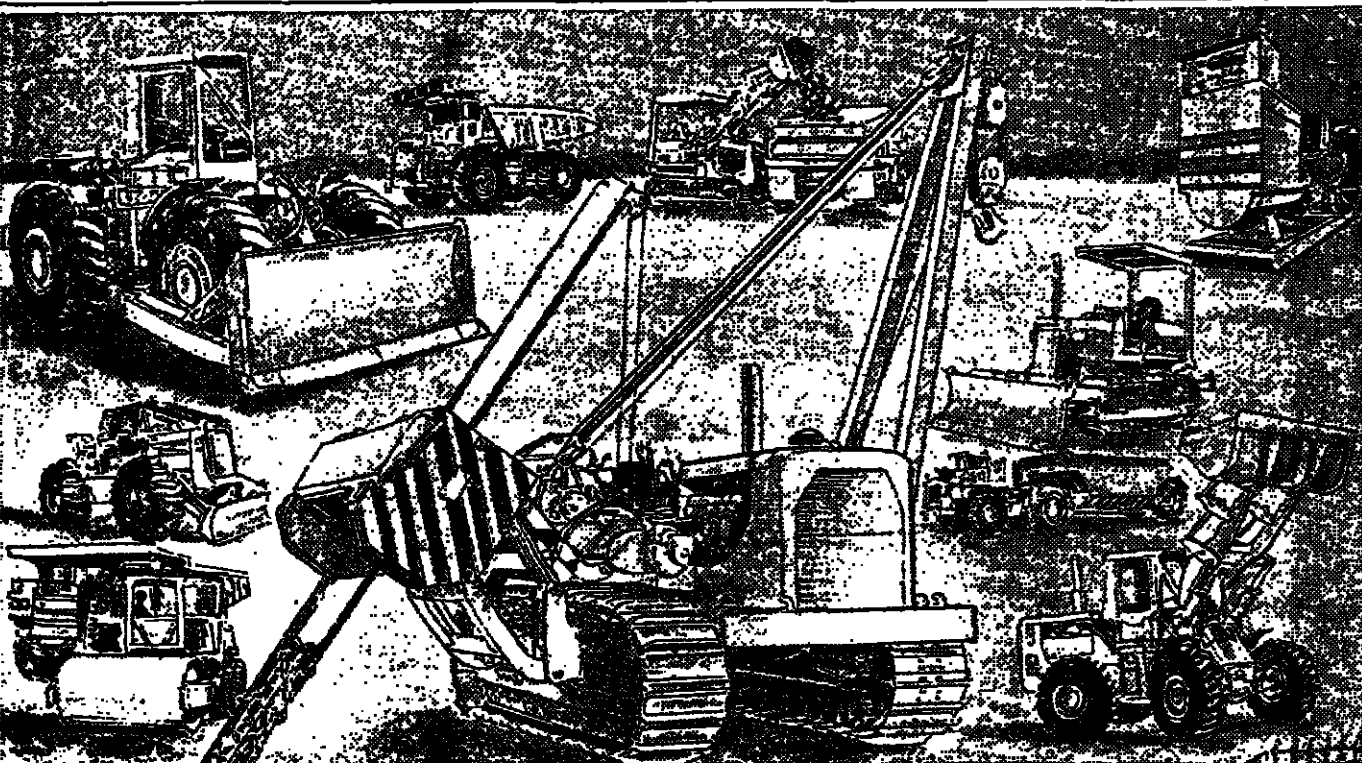
Below: Zueitina, Libya. Raymond designed and built a harbour for Occidental Petroleum. They used their 'Big R' to drive 54" diameter concrete cylinder piles.



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### Strength

Second, it fears the military strength and political radicalism of Iraq on its north-western border. And third, it is apprehensive about the military power and the subversive habits of Moscow-oriented South Yemen, especially in view of the growing Soviet strength in the Horn of Africa. Recently it reinforced its troops on the border to meet South Yemeni skirmishes. The State must also be on guard to protect itself and its economic installations from internal subversion and guerrilla attack.

Saudi Arabia has the perceived need, the desire and the money to acquire the most sophisticated western military equipment: but it also has a small population (and thus a very limited catchment area for military recruitment), and organised secular education and a reasonably modern way of life have only a very short history. The problem that the Kingdom's defence administrators and the many expatriate training teams and advisers face is both of the quantity and the quality of the manpower.

Because of the manpower shortage the armed forces are relatively small in number: the army's strength is 45,000, the airforce 15,000 and the navy 1,500, with the national guard 35,000 and the frontier force 6,500. Military service is voluntary and recruitment is a problem, with all three arms under-

strength. Last year the pay of the armed forces was virtually doubled for most men, but it is still barely enough to compensate for the relative rigours of military discipline, service away from home in fairly inhospitable regions of the country, and being unable to enjoy the financial rewards on offer in the private sector.

Yet as the country buys more equipment of a sophisticated kind and builds a larger and larger military infrastructure, the forces will need more and more manpower. Recently the Government denied that it was planning conscription, but many people in the Kingdom see it as inevitable.

### Social

One way to encourage recruitment is by making the social services available to members of the armed forces and their families much better than those found outside. A large proportion of the Ministry of Defence budget goes on operating lavishly equipped and well-staffed hospitals and building high quality accommodation for military men and their families. The armed forces also try to provide superior education to that available from the Ministry of Education (indeed education is a key part of military training at almost all levels).

The Ministry of Defence has fairly small hospitals at Tabuk, in the north-west, Jeddah, and Khams Mushayt (north of the Yemen Arab Republic border). A large one is to open later this year in Riyadh, maintained and staffed by the British company Allied Medical. A hospital is proposed for Al-Kharj, south of Riyadh. Meanwhile the National Guard is building a hospital in Riyadh which will also serve as a disaster relief centre—since disaster relief would be handled by the military anyway.

These military hospitals are naturally designed to look after the wounded and sick in wartime, but in peacetime they take patients not just from the families of servicemen but also patients from the surrounding area, and they provide outpatient services and maternity facilities. This is one of the ways in which military spending directly improves the life of non-military Saudis.

With a view to the three areas from which Saudi Arabia perceives threats, defence is partly concentrated on a somewhat named "military cities" in different parts of the country. Those at Tabuk and Khams Mushayt already exist, although they are being expanded: at Hafar al Batin in the north-west construction is now beginning on the King Khaled military city, while there are plans to expand the existing military area at Al-Kharj, which already has an ordnance depot and ammunition factory, into a larger armaments producing centre, possibly handling the electronic equipment side of the Arab Organisation for (Military) Industry (AOI).

Not to be outdone, the National Guard announced recently that it was to build two military cities of its own: one at Hofuf, close to the oil fields where one of its main defensive functions lies, and one in the Qasim area in the

centre of Nejd province where it draws most of its recruits. Military cities are really garrison towns, housing both army and airforce and providing barracks, married quarters, hospitals, recreation areas, etc. They appear to be phenomenally expensive: King Khaled military city is officially said to be costing between \$9bn. and \$12bn.: unofficial estimates from Government sources go up to twice as much.

With the building of hospitals, housing and military cities, a large part of military expenditure goes on relatively mundane infrastructure. The U.S. has the lion's share of this work (although British construction companies are involved in a small way) and its corps of engineers has the major supervisory role as consultant on many large projects. Actual equipment supplies probably make up only a tenth of total defence spending: much of the rest goes to different expatriate groups to pay for technical training.

The U.S. has a military mission in Saudi Arabia which co-ordinates the work of different defence contractors in the country. Up to 10,000 U.S. civilians are employed on defence projects, for the U.S. has at least 80 per cent of all defence work in the Kingdom. In the army the U.S. is responsible for mechanising two of the five brigades which are to have a total of 260 American M60 tanks. The army already has some 400 French AMX30 tanks, on which the French military mission is continuing to instruct the Kingdom's existing armoured brigade. Saudi Arabia is thus in the luxurious, if somewhat complex, situation of having two main battle tank systems.

The Army has some 150 British-made Scorpion light tanks, with a further 100 on order, as well as much other British equipment (especially in communications). The Army is also responsible for the Kingdom's surface-to-air missile system, which employs the American Hawk missile and maintained by Raytheon. For protection against low-level attack—for which the Hawk is less well-adapted—the British Aircraft Corporation has been trying to impress the merits of the Rapier system on the Saudis.

Britain's most important role in the Saudi armed forces is with the Royal Saudi Air Force. Last year Saudi Arabia renewed its contract with BAC for another four years: worth about \$500m. (with the possibility of inflation, contingencies and additional requirements taking it up to a possible \$850m.) It is considered Britain's biggest ever export deal.

BAC's association with the SRAP began in the 1960s when it sold it two squadrons of Lightnings (which still comprise the air force's interceptor capability) and two squadrons of Strikemaster counter-insurgency training squadrons. The air force has not bought any more BAC aircraft—it is acquiring 70 Northrop F5E fighter bombers, plus 20 F5Es and 20 F5Es, and President Carter has said the U.S. will sell the Saudis 60 F15 Eagle aircraft for delivery early in the next decade—Congress permitting.

SNL BAC plays the major role in basic training both in

flying and technical skills, technical support of aircraft (including to an extent the non-British ones), armaments support, construction supervision, vehicle maintenance, medical services, and provisioning of all kinds. The scale of operations is colossal, with about 2,000 expatriates in Saudi Arabia and a constant flow of supplies from the U.K. A major objective is accelerating the taking over of jobs presently filled by BAC personnel by Saudis. BAC provides flying instructors for the King Faisal Air Academy as well as technical instructors. And it runs the Technical Services Institute (TSI) at Dhahran, where teaching begins with English instruction in technical subjects and proceeds to technical education and on the job training.

The programme is directed from Riyadh by Air Chief Marshal Sir Frederick Roster, and is also monitored by the British Ministry of Defence, with which the contract was technically signed. Although Northrop and Lockheed both have organisations to service and train the aircraft and missile systems they operate, BAC provides a service which, assuming it continues to operate efficiently, should be asked to continue after the present four-year period is up. Its position would be stronger if it were to sell the air force more aircraft—for example the Hawk light attack-trainer.

### Smallest

The Navy is the smallest of the three services under the Ministry of Defence and is being built up almost from scratch under a package agreement reached with the U.S. in 1974. Its ambitions cannot not be called excessive: it will consist largely of coastal patrol craft, for coastal operations along the Kingdom's long littoral. Naval bases, one at Jeddah and another at Jubail, are being constructed.

The National Guard is entirely separate from the Ministry of Defence, has a different logistics and training system and reports directly to Prince Abdullah Bin Abdul Aziz, rather than to the Defence Minister Prince Sultan Bin Abdul Aziz. It has grown out of the loyal and fanatically religious Ikhwan, which from having won battles for King Abdul Aziz Bin Saud became a counterweight to the newly formed conventional army. It is organised on tribal lines with tribal leaders in charge and not all of it serves full-time. Among its tasks are the protection of the oil fields and associated installations. Britain has a small military mission to it and supplies some of its equipment, but the contract for mechanising four of its battalions is held by the American company Vinnell which is supplying them with commandeered armoured vehicles.

Despite mechanisation it is deliberately being transformed less fast than the other parts of the defence machine. The Saudis are uneasily aware that the more modern a unit becomes the more the traditional values of its members tend to be eroded, and with this their instinctive loyalty.

James Buxton

## SAUDI ARABIA VI

Defence expenditure accounts for the lion's share of the Saudi Arabian budget — but the defence forces are expected to fulfil a protective role. They are necessarily small because there is a limit on the amount of manpower that can be drafted into them, although there are incentives.

## Defence

SAUDI ARABIA has spent more money on defence since the 1973-74 oil price rise than it has on any other single item of expenditure. In the current year's budget defence spending comes after only the total allocation to infrastructure development but the total of SR26.96bn. (\$7.63bn.) is still only just behind Iran's \$7.9bn., even though Iran has far larger armed forces and aims to fulfil a much bigger defence role.

When spending on the National Guard (SR2.6bn.) and the frontier force (SR1.39bn.) is added to defence, Saudi Arabia's defence and security bill comes to SR33bn. for the current year. Defence spending looms even larger than might at first seem because the Ministry of Defence normally spends its budget allocation, while most other ministries do not.

The oil price rise has enabled Saudi Arabia to pay for a far larger defence establishment than it previously could: it also increased dramatically the value of the Kingdom's main assets (its oilfields) and gave Saudi Arabia a far greater international and regional role which, it felt, needed to be backed with a bigger military force, and emphasised the strategic vulnerability of the vast but sparsely populated desert State.

The stated aims of the Saudi military effort, as declared in February, 1975, are to defend the Kingdom and repel aggression: it does not have aggressive intentions itself—and if it did it would not have the means to fulfil them—but it does perceive threats around its borders. First, it does not rule out the possibility of a pre-emptive strike by Israel in the event of a Middle East war—an attack aimed, for example, at making Saudi airfields and its airforce unusable either by the Kingdom or by another Arab state.

Second, it fears the military strength and political radicalism of Iraq on its north-western border. And third, it is apprehensive about the military power and the subversive habits of Moscow-oriented South Yemen, especially in view of the growing Soviet strength in the Horn of Africa. Recently it reinforced its troops on the border to meet South Yemeni skirmishes. The State must also be on guard to protect itself and its economic installations from internal subversion and guerrilla attack.

Saudi Arabia has the perceived need, the desire and the money to acquire the most sophisticated western military equipment: but it also has a small population (and thus a very limited catchment area for military recruitment), and organised secular education and a reasonably modern way of life have only a very short history. The problem that the Kingdom's defence administrators and the many expatriate training teams and advisers face is both of the quantity and the quality of the manpower.

Because of the manpower shortage the armed forces are relatively small in number: the army's strength is 45,000, the airforce 15,000 and the navy 1,500, with the national guard 35,000 and the frontier force 6,500. Military service is voluntary and recruitment is a problem, with all three arms under-

strength. Last year the pay of the armed forces was virtually doubled for most men, but it is still barely enough to compensate for the relative rigours of military discipline, service away from home in fairly inhospitable regions of the country, and being unable to enjoy the financial rewards on offer in the private sector.

Yet as the country buys more equipment of a sophisticated kind and builds a larger and larger military infrastructure, the forces will need more and more manpower. Recently the Government denied that it was planning conscription, but many people in the Kingdom see it as inevitable.

One way to encourage recruitment is by making the social services available to members of the armed forces and their families much better than those found outside. A large proportion of the Ministry of Defence budget goes on operating lavishly equipped and well-staffed hospitals and building high quality accommodation for military men and their families. The armed forces also try to provide superior education to that available from the Ministry of Education (indeed education is a key part of military training at almost all levels).

The Ministry of Defence has fairly small hospitals at Tabuk, in the north-west, Jeddah, and Khams Mushayt (north of the Yemen Arab Republic border). A large one is to open later this year in Riyadh, maintained and staffed by the British company Allied Medical. A hospital is proposed for Al-Kharj, south of Riyadh. Meanwhile the National Guard is building a hospital in Riyadh which will also serve as a disaster relief centre—since disaster relief would be handled by the military anyway.

These military hospitals are naturally designed to look after the wounded and sick in wartime, but in peacetime they take patients not just from the families of servicemen but also patients from the surrounding area, and they provide outpatient services and maternity facilities. This is one of the ways in which military spending directly improves the life of non-military Saudis.

With a view to the three areas from which Saudi Arabia perceives threats, defence is partly concentrated on a somewhat named "military cities" in different parts of the country. Those at Tabuk and Khams Mushayt already exist, although they are being expanded: at Hafar al Batin in the north-west construction is now beginning on the King Khaled military city, while there are plans to expand the existing military area at Al-Kharj, which already has an ordnance depot and ammunition factory, into a larger armaments producing centre, possibly handling the electronic equipment side of the Arab Organisation for (Military) Industry (AOI).

Not to be outdone, the National Guard announced recently that it was to build two military cities of its own: one at Hofuf, close to the oil fields where one of its main defensive functions lies, and one in the Qasim area in the

centre of Nejd province where it draws most of its recruits. Military cities are really garrison towns, housing both army and airforce and providing barracks, married quarters, hospitals, recreation areas, etc. They appear to be phenomenally expensive: King Khaled military city is officially said to be costing between \$9bn. and \$12bn.: unofficial estimates from Government sources go up to twice as much.

With the building of hospitals, housing and military cities, a large part of military expenditure goes on relatively mundane infrastructure. The U.S. has the lion's share of this work (although British construction companies are involved in a small way) and its corps of engineers has the major supervisory role as consultant on many large projects. Actual equipment supplies probably make up only a tenth of total defence spending: much of the rest goes to different expatriate groups to pay for technical training.

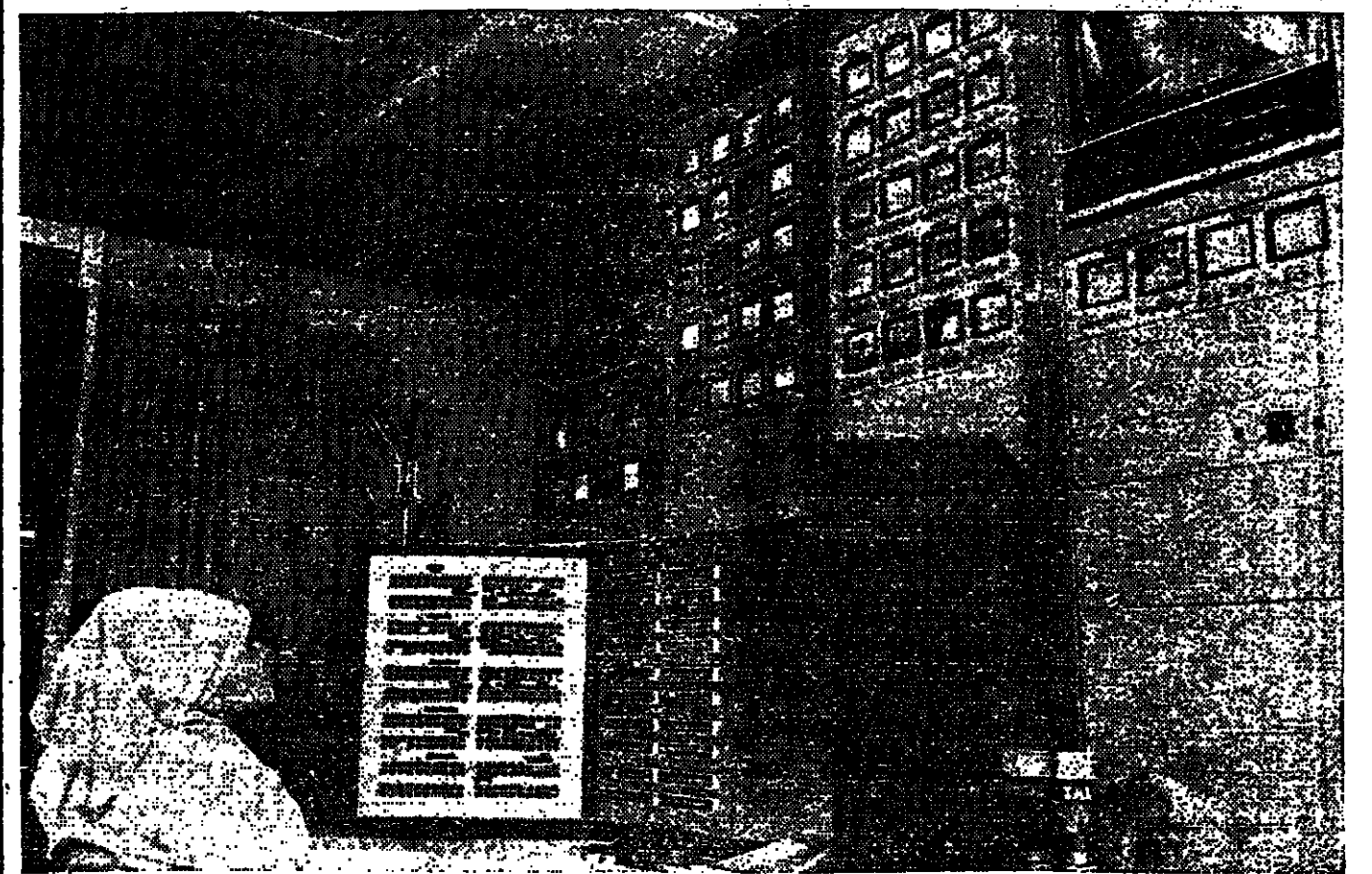
The U.S. has a military mission in Saudi Arabia which co-ordinates the work of different defence contractors in the country. Up to 10,000 U.S. civilians are employed on defence projects, for the U.S. has at least 80 per cent of all defence work in the Kingdom. In the army the U.S. is responsible for mechanising two of the five brigades which are to have a total of 260 American M60 tanks. The army already has some 400 French AMX30 tanks, on which the French military mission is continuing to instruct the Kingdom's existing armoured brigade. Saudi Arabia is thus in the luxurious, if somewhat complex, situation of having two main battle tank systems.

The Army has some 150 British-made Scorpion light tanks, with a further 100 on order, as well as much other British equipment (especially in communications). The Army is also responsible for the Kingdom's surface-to-air missile system, which employs the American Hawk missile and maintained by Raytheon. For protection against low-level attack—for which the Hawk is less well-adapted—the British Aircraft Corporation has been trying to impress the merits of the Rapier system on the Saudis.

Britain's most important role in the Saudi armed forces is with the Royal Saudi Air Force. Last year Saudi Arabia renewed its contract with BAC for another four years: worth about \$500m. (with the possibility of inflation, contingencies and additional requirements taking it up to a possible \$850m.) It is considered Britain's biggest ever export deal.

BAC's association with the SRAP began in the 1960s when it sold it two squadrons of Lightnings (which still comprise the air force's interceptor capability) and two squadrons of Strikemaster counter-insurgency training squadrons. The air force has not bought any more BAC aircraft—it is acquiring 70 Northrop F5E fighter bombers, plus 20 F5Es and 20 F5Es, and President Carter has said the U.S. will sell the Saudis 60 F15 Eagle aircraft for delivery early in the next decade—Congress permitting.

SNL BAC plays the major role in basic training both in



Surveillance of patients at the King Faisal Hospital in Riyadh.

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# The capital market

**Brian Thompson**

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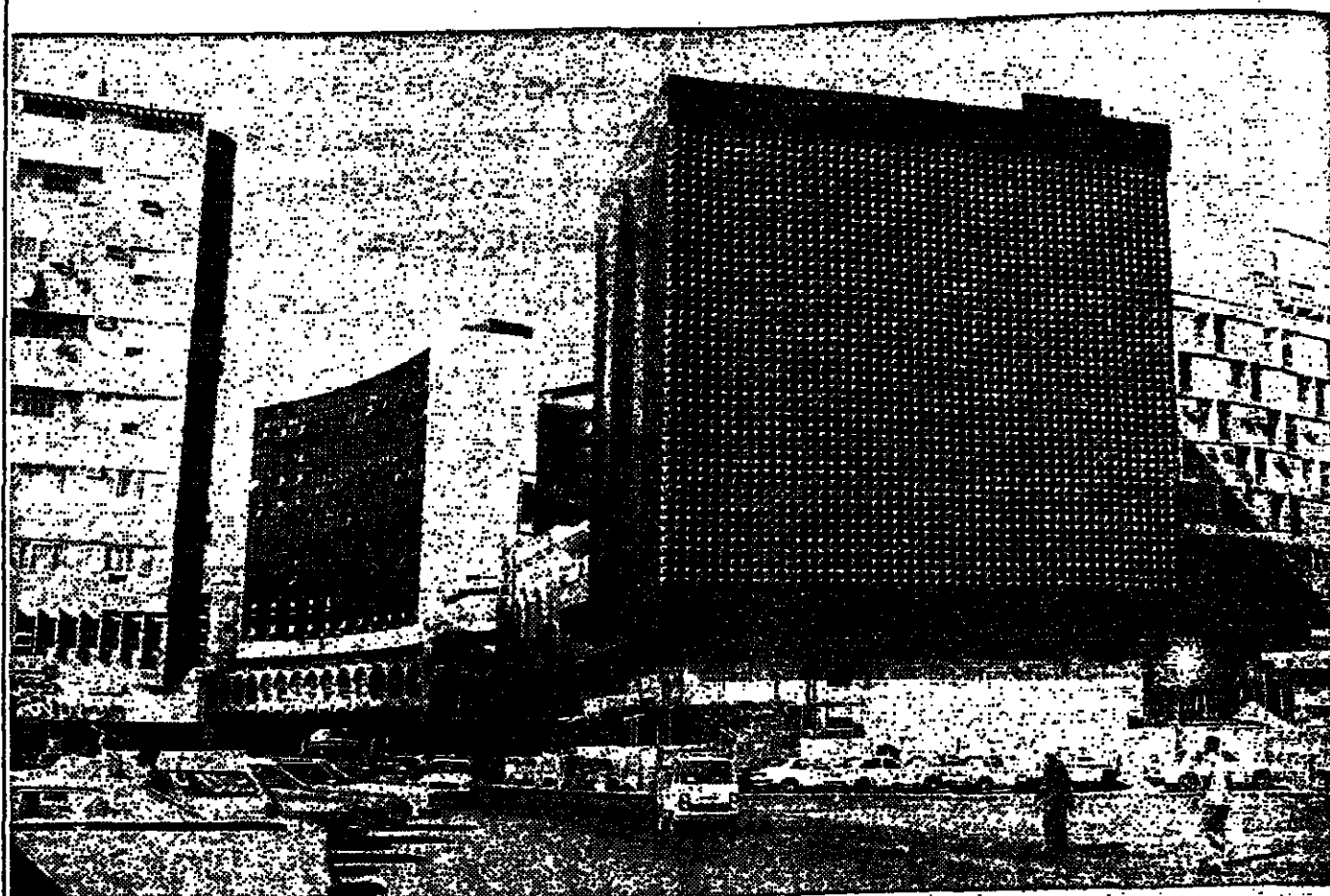
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## SAUDI ARABIA VIII



The new National Commercial bank building in Jeddah.

Saudi-isation is the developing theme among banks in Saudi Arabia, and it brings benefits with it, such as the ability to open branches all over the country. But the new growth area is overseas, with an increase in the amount of riyal financing abroad.

## Banking

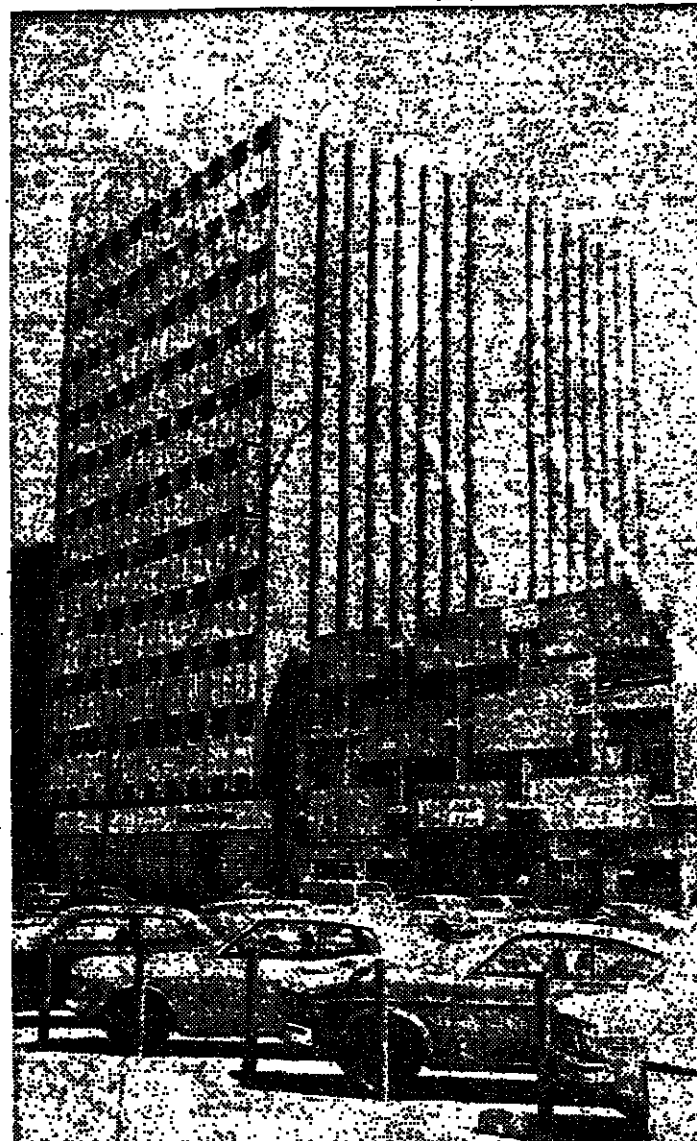
SAUDI COMMERCIAL banks, one of the great growth areas in the economy, have a strict tutor in the form of the Saudi Arabian Monetary Agency (SAMA). It controls their size, liquidity, lending ratios and their activities abroad. Bank business has expanded commensurately with the growth of the Five Year Development Plan. Money supply at the start of the plan in mid-1975 was about SR9.3bn. (\$2.7bn.) and increased to SR21.6bn. (\$6.2bn.) by October, 1976. Demand deposits at commercial banks increased from July, 1975 to June, 1977 from SR4.5bn. (\$1.3bn.) to SR16.7bn. (\$4.8bn.), while average monthly bank clearings between those dates increased from SR3.1bn. (\$0.9bn.) to SR13.7bn. (\$3.9bn.).

Many would say that Saudi Arabia is under-banked. It has 12 commercial banks, and there is little prospect of new banks being allowed to open there, either on-shore or off-shore. SAMA has not been persuaded to open up Jeddah as another Middle East banking centre to vie with Bahrain or the United Arab Emirates. The sheer volume of local business has not been and could never be handled by the official banks alone. As a result, many of the mechanical activities such as money-changing, trade-financing and real-estate lending are done by the well-established and generally highly respected money-changing houses. They have the advantage over the commercial banks in that they do not have to adhere to SAMA's strict regulations on liquidity. SAMA stipulates that a bank's total deposits may not exceed its capital reserves by more than 15 times, and at least 15 per cent of those deposits must be kept as liquid assets. Half of any deposits held over the limit must be placed interest-free with SAMA. SAMA has generally been tolerant of the money-changers' activities, but the Commerce Ministry issued a warning last October against unauthorised banking activity, and SAMA has been moving to bring their operations more tightly under its control.

### Domestication

Two of the 12 banks are 100 per cent domestically owned, the National Commercial Bank (NCB) and the Riyad Bank. Four of them have been Saudi-ised, that is, have been taken over 60-65 per cent by Saudi interests. The Bank al-Jazira used to be the National Bank of Pakistan, al-Bank al-Saudi al-Hollandi was the Algemeene Bank Nederland, al-Bank al-Saudi al-Fransi was the Banque de l'Indochine et de Suez, and the Saudi-British Bank was the British Bank of the Middle East.

The Banque du Caire has already signed articles of association with its Saudi partners, and will be known as the Saudi Caire Bank with a capital of SR150m. (\$42.9m.). Five others appear to be resisting Saudi-isation. Citibank has been most clearly opposed to it but an announcement on its decision to go Saudi is expected before May. The Jordan-based Arab Bank is about 20 per cent Saudi-owned and claims it is not really a foreign bank. The attitudes of the Banque du Liban et d'Orient Mer, Bank Melli Iran and the United Bank of Pakistan are not publicly known. Accord-



Citibank's office in Riyadh.

ing to an order by SAMA finance of up to 50 per cent issued when the Banque de l'Indochine was Saudi-ised in May, 1977, all remaining foreign banks in the country had to be Saudi-ised within a year. That gave them at least two months to make their intentions clear. After Saudi-isation, the foreign bank retains management for at least eight years, but naturally has its share of the profits reduced by 60 per cent. A major advantage is the freedom to open branches all over the country. Citibank and the Banque du Caire were previously the only foreign banks allowed to have branches in Riyadh, but in March, 1977 the Bank al-Jazira opened a branch there, and later in Mecca. Saudi-isation is regarded as fair on the foreign banks since they are not using their own capital from abroad to generate local business.

Bank business, like that of the money-changers, concentrates on short-term financing of imports and other trade. There is also the lucrative field of contract finance and of contract guarantees for which foreign guarantors must have a local advisory bank. It is here that the foreign banks score in their relations with parent banks and their countries of origin, although the First Boston Corporation has a management contract and a good relationship with the National Commercial Bank.

Most of the long-term private financing in Saudi Arabia is done by specialised funds set up by the Government. The chief ones are the Saudi Industrial Development Fund (SIDF), the Agricultural Bank and the Real Estate Development Fund. The SIDF, which is managed by the Chase Manhattan Bank, can give industrial project

short-term, it would be difficult anyway for them to lend long. But with the rising popularity of syndicated loans and bond issues on the international market, the National Commercial Bank and the Riyad Bank have both begun to participate as co-managers and providers. The National Commercial Bank all but managed a SR100m. (\$28.6m.) syndicated loan by itself last December. The loan was in favour of a Saudi fertiliser venture between the Saudi Research and Development Corporation (Redec) and a Lebanese partner. The Lebanese partner withdrew from the project, however, and the loan was never brought to the public.

### Reluctance

SAMA has been thought reluctant to see the Saudi riyal becoming an international currency but the last year has seen a number of big riyal loans made abroad, with participation by the NCB, the Arab Investment Company and the Riyad Bank. They joined the Banque Arabe and Internationale d'Investissement (BAII) of Bahrain in a SR100m. (\$28.6m.) bond issue in March, 1977 for the Moroccan refining company SAMIR. The Riyad Bank and Apicorp joined BAII in May for a SR150m. (\$42.9m.) bond issue for the Algerian shipping company CINAN. Last October six Bahrain offshore banking units led by the Banque de l'Indochine et de Suez syndicated a SR50m. (\$14.3m.) loan to finance industrial plants in Jeddah and Dammam being built by Saudi Arabian Ammanit. The Redec group was the first Saudi company to raise a riyal loan outside the country. In May, 1977 Redec guaranteed a SR35m. (\$10m.) note issue for its affiliate Interdec (Bermuda), arranged by the Luxembourg-based Arab Finance Corporation. This March the BAII in Paris was due to begin syndicating a SR300m. (\$85.7m.) loan for Redec. SAMA has not offered obvious resistance to these loans, but they all appear to be for projects related either to development in the Arab world. Perhaps SAMA would be less silent if offshore riyals were amassed for speculative purposes rather than for definite projects.

With the great volume of jumbo contracts priced in riyals being awarded to foreign firms there is no way of avoiding the flow of riyals into world money markets. Again these riyals are to some extent project-linked. But international demand for the riyal is affected, or rather overshadowed, by one great uncertainty. All Government contracts are underwritten by on-demand advance-payment and performance guarantees adding up to as much as 25 per cent of the contract value. A syndicated guarantee facility of SR1.7bn. (\$5.5bn.), counter guaranteed by the Dutch Government, was arranged last November for Ballast-Nedam on a SR8.8bn. (\$1.9bn.) housing contract. A total of SR1.9bn. (\$5.5bn.) worth of guarantees was put up for Philips and L.M. Ericsson for their SR7.9bn. (\$2.2bn.) share of a contract to expand the Saudi telephone system. These are only two examples of the huge sum of guarantees out-

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مركز الأبحاث



## SAUDI ARABIA IX

Saudi Arabia presents the contrasts of a very large insurance market with very little in the way of a local insurance industry, or for that matter of governing rules and regulations. Virtually all business is thus transacted offshore, involving multinational operations.

## Insurance

THERE ARE almost no figures to prove it, but Saudi Arabia is now probably one of the fastest growing insurance markets anywhere, and certainly the biggest national market in the Arab world, if only by a fairly short head. A reasonable estimate is that insurers' direct premium income on Saudi residents risks has risen from about U.S.\$80m. in the first oil-boom year, 1974, to perhaps \$250-300m. last year. Judging by the very large volume of construction and infrastructure contracts set in motion in the past few months alone, plus policy renewals on projects now completed, the figure could well increase further to around \$400-500m. this year.

Anyone who becomes involved for the first time in the coverage of Saudi risks, whether as buyer, underwriter or broker, does well to make a mental distinction between "insurance market" and "insurance industry." The Kingdom has so far developed as a very substantial insurance market, but with no coherent, nationally-sponsored insurance industry to serve that market.

This situation may be about to change. There is currently renewed talk of national legislation on the registration, licensing and supervision of genuine Saudi insurance and reinsurance companies—a possibility that has been debated in the Kingdom's Government and business circles for at least three years.

## History

The uneven development of insurance in Saudi Arabia is in large measure rooted in history. Before the 1970s and indeed back in the interwar years, the relatively small general insurance needs of the then newly unified and independent Kingdom were served entirely through agencies which leading London and European insurers, and later Lebanese and other Arab, U.S. and Japanese companies, granted to the leading Saudi family trading houses. The biggest risks were largely connected with the development from the 1930s onwards of the oilfields, and these were dealt with through the in-house facilities of ARAMCO.

A second stage of development saw the arrival over the past last five years, of professional brokers—often Lebanese or up in Jeddah, Dammam, Jubail or other Arab affiliates of the larger Lloyd's brokers in London. It was quickly discovered that there were fundamental market problems, which meant that in the absence of local capacity and local expertise, it became impossible for the goods needed for such projects

brokers to confine themselves to their traditional role of intermediary.

The recent pattern of events, therefore, has been for brokers to obtain the binding authority of foreign insurers and reinsurers to write Saudi business on their behalf as full-scale underwriting agents. The brokers' view now is that had this step not been taken, much of the business would never have been written and both Saudi employers and their largely foreign contractors and suppliers—now coming into the Kingdom in large numbers from the U.K., the U.S., Korea, Japan and elsewhere—might have found their projects dangerously under-protected.

Alongside this development, it has become the practice to secure both outside reinsurance capacity and the participation of Saudi interests by transferring the "binders" to primary insurance companies formed to specialise in Saudi risks, but almost invariably not legally resident in the Kingdom. The discomfort with which leading Saudi traditionalists regard insurance, on religious and moral grounds, is now thoroughly familiar in the West. The younger generation of Saudi administrators and technicians, however, now deny that the traditionalist view is an impediment to the development of a sound market.

At all events, the 20 or so foreign-managed Saudi "off-shore" insurers now almost all have a Saudi majority among their shareholders. At this stage, therefore, the growing Saudi desire to exercise a measure of control over underwriting (and to share in the companies' earnings) is being satisfied through equity participation rather than involvement in technical management.

The first of these Saudi "off-shore" companies was the Red Sea, managed from Jeddah, but incorporated in Hong Kong. Set up in 1974, it has London Lloyd's broker group C. T. Bowring, Dowa Fire and Marine of Japan, Firemen's Fund of California and brokers Anslow, Wilson and Amery, also of London, sharing a 22-per cent. minority of its equity, with local businessmen holding the majority. Similarly, Lloyd's brokers Stewart Wrightson, with its Lebanese affiliate Nasco-Karagiam Group (at present Paris-based) manages Saudi General, which is a Bermuda-incorporated company. Other primary companies include Saudi Arabia Insurance (Bland Payne with its Beirut-temporarily Athens-based-affiliate, Arab Commercial Enterprises); Saudi United (Commercial Union and Swiss Re) and the National (Munich Re).

Saudi and neighbouring Arab authorities and enterprises and resident expatriate managers of projects in Saudi Arabia are able to deal on a continuing basis with the local general agency offices which the new "off-shore" companies have set up in Jeddah, Dammam, Jubail and other centres. But it is usually strongly recommended that foreign contractors and suppliers seeking insurance packages to cover major works, the labour force (largely expatriate) and the transit of the goods needed for such projects

in Saudi Arabia should approach either their usual broker or direct insurer in their home country or, if known, the leading broker or insurer involved in the management and reinsurance of the chosen Saudi company. In this way, all aspects of the insurance—rating, underwriting arrangements and (so often a weak spot in Third World insurance) claims handling—can be organised and monitored centrally.

Although virtually all cover of Saudi risks is ultimately arranged outside the country, and there can effectively be no local retention of premiums, the foreign professional insurance buyer will want to know everything possible about the performance of the local market to judge what kind of insurance deal he will be getting. There is no doubt that the big risks are there to be written: one of the largest insurance packages of all time, the \$1bn. Jubail industrial port project, came out of Saudi Arabia. While the neighbouring Gulf states go into something very like economic recession, with major projects being reconsidered, Saudi Arabia's insurance needs seem likely to go on expanding apace for some time to come.

## Professional

This potentially very large market has attracted some of the best professional minds in the international insurance market. But its existence against the background of virtual lack of national supervision and regulation—almost a classic free market—has inevitably attracted some "quick buck" operators. Foreign interests which established agencies in Saudi Arabia for two or three years with the aim of generating a rapid cash flow and then withdrawing have exerted an unfortunate "negative competition" of the market. They offered very broadly worded

policies at sub-economic premium rates on which the established underwriters overseas could not avoid losses, let alone make a profit.

A further underlying difficulty for underwriters is the virtual absence of mass personal insurances: there is of course no life insurance business worth mentioning and little revenue from such classes as household comprehensive insurances, which provide composite insurances in the established markets with much of their bread-and-butter income. For reasons closely related to Saudi development and industrialisation, the great bulk of written premium income comes from a restricted list of commercial classes with a relatively high risk potential—CAR/EAR, industrial (mainly oil-related) fire, workers' compensation (which is compulsory), motor vehicle and marine cargo and transit.

Because of downward pressure on rates, port congestion, the acute shortage of vehicle repair facilities (too many vehicle casualties become total write-offs) and other problems, underwriters' experience of Saudi business in the past four or five years has not always been happy. The temptation to withdraw from important classes of business must at times have been strong. In general, however, underwriters and managing agents have stuck to their guns and are beginning to lay the groundwork of an efficient and expanding national industry. The counterpart to this is increasing acceptance in Saudi Arabia's centres of power that insurance is essential in an industrial society. This should bring increasing Saudi financial and technical involvement and must encourage international insurance interests to help with the creation of more local expertise.

J. J. Pryor

## Banking

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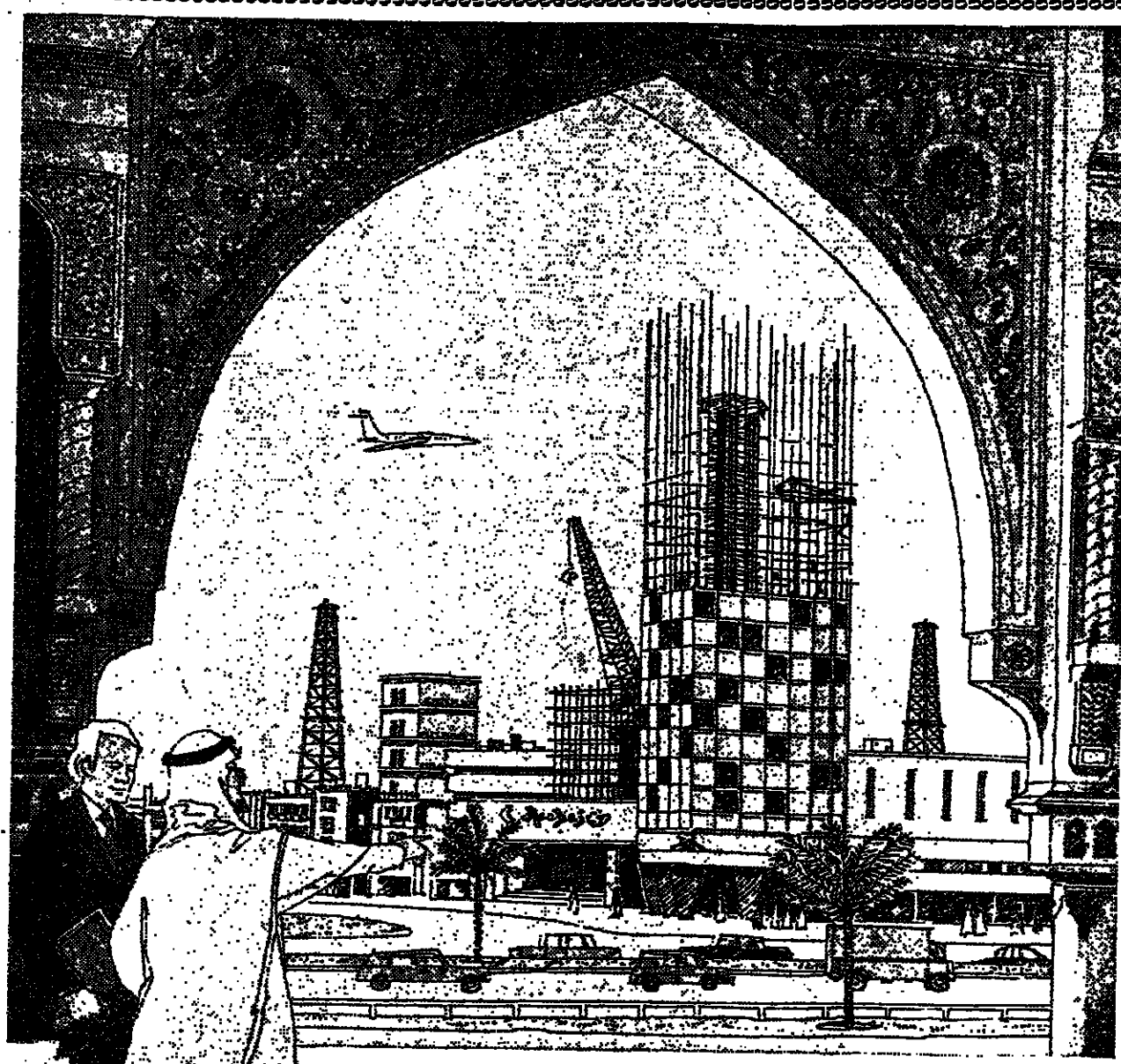
standing on contracts for ports, and March 1978, SAMA adjusted the rial minutely seven times structure. What would happen upwards from 3.535 to 3.46 to if one international contractor, the dollar, a total of around 2 or all contractors from one per cent. SAMA was approximately, fell out of favour with the Saudi government and the parity with the IMF's special guarantees were called? Would drawing rights (SDR) to which the world banking community it has been linked since 1975, be able to mobilise resources But it did so with some reluctance, and since any fall in the value demand, as they are bound to of the dollar means that oil do? What would happen to the revenues have less buying power international market rate for and that Saudi dollar assets fall in global terms.

## Overseas

With the growth of rial financing abroad, Saudi banks have sprung up overseas to get a share of the action. The Saudi International Bank, owned 50 per cent. by SAMA, 45 per cent. by foreign banks and 5 per cent. by the NCB and Riyad Bank, was set up in 1975. It offers expertise in rial financing besides being one of SAMA's placing agencies abroad. Saudi and Gulf interests will have a 50 per cent. stake in a Saudi-Spanish bank to be opened in Madrid. Al-Saudi Banque opened in Paris in 1976. It is 75 per cent. owned by the private Saudi Arab Finance Corporation in Jeddah. Al-Saudi Banque and one of its shareholders, the Arab Finance Corporation in Luxembourg, this February opened the Saudi Finance Corporation (Saudfin) in Geneva.

Two Saudi individuals are internationally known for their banking activities. Mr. Adnan Khashoggi and Mr. Ghaith Pharaon. Pharaon used to own the Bank of the Commonwealth in Detroit but resold, he said, because of management problems. He also sold his interest in the Jeddah-based First Arabian Corporation just before the demise last year of Edward Bates and Sons of London. Mr. Pharaon recently bought a controlling interest in the National Bank of Georgia. Mr. Adnan Khashoggi has been known for his interest in small Californian banks. He still owns the Security National Bank there and in 1976 opened an International Institute of Banking and Finance at St. Mary's College in Moraga, California, to teach banking skills to Middle East and OPEC nationals. Mr. Khashoggi was due to open a new bank in Seoul, South Korea, on March 3.

David Shireff



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## Balance Sheet as at 29.6.1397 (16.6.1977)

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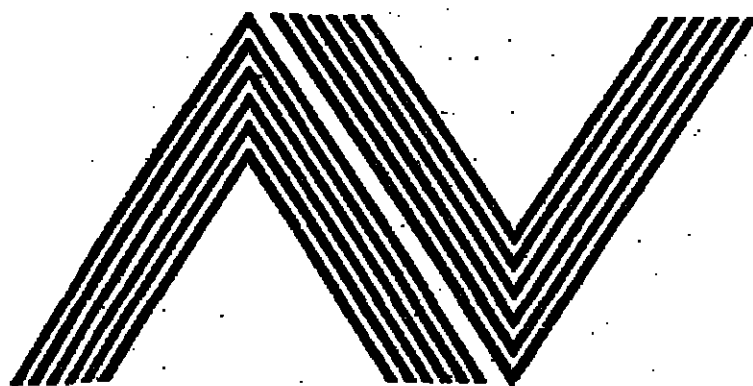
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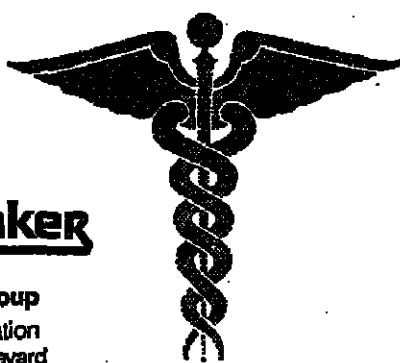
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## SAUDI ARABIA X

It will be some years before  
Saudi Arabia's mining industry becomes  
productive but it should be profitable before the end of the  
century. It could also help to reduce the  
Kingdom's dependence on oil.

# Minerals

THIS IS THE fourth mining era in Arabia's history, and ironically so far the least productive. The first was in King Solomon's time in 1000 BC, the second in the Abbasid period between 750 and 1258 AD, and the third, during the operations of the Saudi Arabia Mining Syndicate between 1939 and 1954.

However, a profitable future is promised by the end of the century. Sheikh Ahmed Zaki Yamani, who is often forgotten, is Minister of Mineral Resources as well as of Oil, told Saudi newspapers last July that Saudi Arabia expected "to begin exporting mineral production in the 1980s, to build up income from minerals in the 1990s, and to reach a very high level (of production) at the beginning of the next century when our oil income will gradually taper off."

At present the contribution of the mining and quarrying sector to the economy is limited. Indeed, the bulk of its contribution—\$48.8m, or 0.12 per cent of the GDP in 1974-75—came from the quarrying sector. Under the five-year plan the mining and quarrying sector is to grow by 15 per cent a year to \$100.1m. in 1979-80, but will still form only 0.14 per cent of the GDP.

### Created

The origins of the Directorate General of Mineral Resources (DMGR) can be traced back to 1947 when a Bureau of Mines and Companies was set up within the Ministry of Finance. The present organisation dates from 1961 when a separate Ministry of Petroleum and Mineral Resources was created.

The mineral resources section of the Ministry has a considerable staff of Saudi and expatriate geologists and geophysicists, which is supplemented by technical services contracts, the largest being with the U.S. Geological Survey (USGS), the Bureau de Recherches Géologiques et Minières (BRGM), Riofronx (a subsidiary of Rio Tinto Zinc Corporation Limited), British Steel Corporation (Overseas Services), and two Saudi French groups—Arabian Drilling Company and Arabian Geophysical and Surveying Company—both subsidiaries of the State Organisation Petromin.

DMGR is involved in basic mapping and some mineral exploration. BRGM, whose sixth two-year contract, worth \$113m., began in June last year, is predominantly involved in exploration. Riofronx is unlike the other bodies, which are governmental or quasi-governmental, and was introduced in September 1976 to provide a more commercial outlook as the mining programmes moved towards the final stages of feasibility studies.

Finally, the BSC was in mid-1976 awarded a 50m. riyal (\$14.3m.) contract for four years, specifically to investigate the iron ore deposits (estimated at 400m. tonnes of 42 per cent iron) at Wadi Sawawin in the north west near the Jordanian border. It aims to produce a feasibility study to determine the economic viability of the deposit, particularly in relation to local industrialisation. (Estimated at 300-400m. tons of 42 per cent iron).

In geological terms, Saudi Arabia falls broadly into two halves divided by a boundary which snakes through the centre of the Peninsula and curls westwards towards the south Jordanian border. The western and older area is known as the Pre-Cambrian Arabian Shield. Apart from gold, silver and copper, which were mined in ancient times, lead, zinc, iron and nickel are known to be present.

The East part, which is of much younger geological age, could be a source of minerals such as lead, zinc, copper, uranium and barytes, and large phosphate deposits are known already. Various non-metallic industrial minerals have been found. In both geological environments, limestone, clay and gypsum are already mined for local industrial purposes.

The starting point for any systematic mineral exploration is accurate geological mapping. The first geological map of Saudi Arabia was produced by the USGS and Aramco in 1983 based largely on photogeological evidence. More detailed mapping was started in the 1960s and now some 85 per cent of the shield has been mapped at scale of 1:100,000.

In the Eastern Provinces, the programme of searching for metals is so far based on the hypothetical model and concept that, because in other parts of the world where oil has migrated through carbonate

rock and significant deposits of, for example, lead and zinc have been found, the same might occur here.

The concentration is thus at present on building up as complete a picture as possible of Saudi Arabia's resources rather than on production of minerals. In the fiscal year 1976-77, DGMR, USGS, BRGM, Riofronx and BSC were involved in about 120 different activities mainly on the pre-Cambrian shield ranging from detailed mapping, the exploration, exploitation and drilling of deposits, compiling aeromagnetic surveys and evaluating water resources (for their own mining purposes).

The collection of this material and its storing in computerised form has become increasingly important to the way in which Saudi Arabia runs its mineral operations.

Fundamental to the government's attitude is that operations should be carried out by the private sector, including foreign companies. Private exploration and mining is regulated by a modern mining code.

Three documents can be awarded: the reconnaissance permit, the exploration licence, and the mining lease. The first has the advantage that it acts as a basis for a work permit for foreigners, and allows the holder to import equipment duty free.

The second entitles the holder to have exclusive rights for up to five years over an area up to 10,000 square kilometres. The licensee undertakes a phased exploration programme, and guarantees minimum expenditure. Such a licence is granted normally only after the company has itself inspected DMGR's files, carried out field reconnaissance and concluded a partnership agreement with the state organisation Petromin.

Most existing agreements are on a fifty-fifty basis. Exploration costs are capitalised; expenses on the area by the government before the granting of the licence are credited to the government.

On the third—the mining lease—no royalty is charged. Taxation is either through income tax (after a five-year tax holiday starting from the date of production) or through a previously agreed profit sharing arrangement.

Arabian Shield Development of the U.S., with the National Mining Company, owned by Saudi Arabia, have been exploring since 1970-71, nickel deposits at Wadi Qatan and zinc-copper at al-Masani close to the Yemeni border, where the stage of starting underground exploration has been reached.

### Underground

Since 1973-74 Serem of France and U.S. Steel have had a concession to explore for copper in Jebel Sayid between Mecca and Medina. But here as elsewhere in the Kingdom, the low world price of copper has held them back from proceeding towards underground work.

Consolidated Gold Fields of Britain has since 1976 been exploring King Solomon's mines at Mahd al-Dahab (they were successfully mined 1938-1954) near Jebel Sayid and plans to turn to underground sampling. Noranda of Canada has halted work on copper deposits at Kutam near the Yemeni border because the grade and size did not warrant further work at the present price of copper. Granges of Sweden is to start a drilling programme to explore the phosphate deposits at West Thariyat (estimated at 190m. tons of 23 per cent ore) near the Jordanian border. The

same company is in line for licence to obtain a concession roughly similar to one held in 1973 by Nippon Mining and Mitsui and subsequently surrendered. This licence will be to explore a copper-silver-silver orebody in the Hajar area northeast of Medina. Finally, BRGM is supplying two advisers to the Saudi Sudanese commission, which is awarded contracts to Prosus of West Germany and Argus study metal-rich muds situated in an axial trough 2,000 metres down in the Red Sea. Problems include raising the metalliferous mud, concentration of the mud, and disposal of waste.

It is still some years before Saudi Arabia's mining industry will become productive and then profitable. Much more exploration and evaluation is needed. The opening of a mine requires the extensive development of infrastructure, transport and water supplies.

Which mineral is most likely to be produced first? Were the price of copper to double from its current level of around 60¢ a pound it would become economic to develop copper deposits in Saudi Arabia—inevitably elsewhere. At present, gold—a mineral relatively undemanding in transport facilities—would seem to be the quickest to develop and could be in production in three to four years. It is reckoned that iron and phosphates, subject to feasibility tests, would take between five and seven years. Others might take longer. It would seem that Sheikh Yamani's forecasts need not be that far off the mark and that Saudi Arabia could have on its in a decade the beginnings of an industry which eventually may help to replace the Kingdom's dependence on oil.

A.McI

A massive contract signed  
in January aims by 1980 to give  
Saudi Arabia one of the most modern and  
efficient telephone services  
in the world.

## Telecommunications

SAUDI ARABIA has to-day 198,900 telephone subscribers. By the end of 1980 it expects to have 670,000 automatic telephones connected, providing one of the most modern and efficient services in the world. The contract for this great leap forward was signed in January with Philips of the Netherlands. L. M. Ericsson of Sweden and Bell Canada. At a cost then estimated at \$3.1bn. the three companies have undertaken to expand the network by 470,000 lines in three years with additional management for five years. The price has already gone up because Bell Canada, handling the five-year service contract, has agreed to do an extra \$400m. worth of building.

The present Saudi telephone system for both domestic and international calls is heavily overloaded but nevertheless gradually becoming more workable. In theory, there is direct dialling from the main cities to London and elsewhere, but the only way to guarantee a call is to book it through the Bahrain from Saudi Arabia was introduced recently. Until Saudi proved, Bahrain, with its near-faultless service, may well be the best channel to the outside world. Saudi-based companies could be tempted to open relay offices there.

Inside the country the telephone system installed by L. M. Ericsson between 1964 and 1974 is severely stretched. As phalanges of new buildings spread out from the towns, telephone links have been outpaced. A few lucky companies outside the main cities have been allowed to use radio telephones instead. The rest make do with telephone lines that can go dead after a sudden rainstorm, or after a trench has been dug by an over-zealous contractor.

Delays in awarding the big telephone expansion contract have not helped the situation. Philips was originally called in to negotiate the contract alone. Rumours early last year that the asking price had escalated to \$7bn. were followed by the news that talks with Philips had been broken off and that the work would go out to public tender. Two U.S. companies with good Saudi connections set up con-

sortia, feeling that Philips was finished. International Telephone and Telegraph brought in United Telecommunications of Kansas, and Western Electric led a U.K. team of Plessey, British Insulated Callender's Cables and Cable and Wireless, with the British Post Office in a consultancy role. Nippon Electric Company of Japan also tendered for a part of the contract. Philips worked quietly at putting together its own consortium. When the bids were opened on September 27 there were huge discrepancies in the prices. The Philips consortium was the lowest overall, but mainly because its bid for part three, the five year operation and maintenance job, was half that of Western Electric's and four times less than ITT's.

Clearly there had been a problem with interpreting the tender specifications. But Philips had won in a straight contest and in three months, after the proposals had been evaluated by experts from Arthur D. Little, Norconsult, Swedtel, Preece, Cardew and Rider and the International Telecommunications Union, Philips was promised the contract. The Philips-Ericsson proposal will provide the average subscriber in Saudi Arabia with a standard push-button telephone: 400,000 specially-designed instruments are to be provided. There will be revised systems for telephone numbering, charging, subscriber services, and telephone directories. About 2,000 public call-boxes will be installed. Philips and Ericsson have planned integrated production for switching systems and other equipment. Philips will supply its PRX (Processor controlled Reed Exchange) switch-

ing system, while Ericsson will update the ARF 102 switching equipment it has already installed, and the ARE 13 system it is at present installing under another contract, and integrate them with its most modern system, the ARE 11.

Bell Canada's side of the contract will be done under the mantle of a new state concern called The Telephone Company, which Bell Canada will manage. The Telephone Company is to handle operation and maintenance of existing as well as future lines. It inherits 1,800 staff already working for the telephone department and will employ and train others. The ultimate aim is to Saudi-ise the entire telephone network, that is, to have it run predominantly by Saudi personnel. TelePlan, a subsidiary of, Norconsult of Norway, is doing overall planning and supervision of the telephone project for three years, under separate contracts worth \$135m. awarded last December.

### Upgraded

The infrastructure of Saudi telecommunications is being upgraded under another contract awarded to Western Electric in May last year. Western Electric's \$400m. job is to set up microwave links across the country, in two stages. The first stage covers the northern region, the second the southern region and eastern province, linking Al Wajh, Jazan, Najran, Abha, Riyadh, Dammam and Arar. Sirti of Italy has already completed a microwave link between Jeddah, and nearby Taif, the government's summer capital, and laid a coaxial cable between Dammam and Riyadh.

CONTINUED ON NEXT PAGE

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# Manufacturing

# Manufacturing

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equity may be as low as 25 per cent. The project must be consistent with the Kingdom's industrial development policies, it must provide a "reasonable assurance" of repayment, provide for comprehensive training for the staff and a satisfactory return to the investor. It must assure competent management.

The Fund's assistance cannot exceed 50 per cent. of the borrower's needs over the first three years but must be more than SR500,000 (\$143,000). The Fund insists that it plays the role of chief creditor in any project it helps to finance.

According to sources inside the SIDF the criterion of a "satisfactory return" has not been stringently applied. The Ministry of Industry and Commerce, however, has been particularly

While some investors are waiting for the infrastructure to be built, others are ahead of the events. In industrial zones at Jeddah, Dammam and Riyadh, which are still in the first stages of preparation, some 15 large factories are already being built. Another 12 have been leased. These 27 zones are planned at Mecca, Al-Ahsa and Al-Qassim besides the two major ones at the future industrial cities of Jubail and Yanbo.

The incentives offered by the government to new manufacturing enterprises include a 5% rent in industrial zones of

Two years ago because it could not secure protection guarantees, Mercedes Benz, faced with the same hard fact, has gone ahead and built a truck plant in Jeddah. Realists fear that a venture so dependent on Saudi government subsidies will never make money. In Saudi Arabia, the only selling of its output.

The age of Saudi heavy private industry is not yet here. It is Saudi's to lead the private sector into it, one of the methods being to form joint ventures with foreign companies to invest in industries which involve heavy long-term capital outlay and some risk. Mercedes has signed interim agreements for ethylene, methanol, and

microwave link between Dammam and Bahrain. The next international connection to be made should be a coaxial cable under the Red Sea to Sudan.

Saudi Arabia is involved in three satellite telecommunications programmes. The first is the world-wide Intelsat system for which three big dishes have been built at Riyadh, Dammam and Jeddah. The country belongs to Arabsat, which will eventually link all Arab states.

Domestic links are being reinforced by a series of microwave stations built by Harris International Telecommunications of the U.S. Unmanned stations at Dammam, Medina, Baha, Abha, Buraidah, Tabuk, Hail, Jizan, Al-Jaizan and al-Jouf are linked on to the Intelsat network through

An expansion of the telex system is being undertaken by Genter, part of the Saudi Telecom Co., with assistance from ITT. There are now 16,000 operating subscriber lines and this should be increased to 9,000 by the completion of the project. Another contract is being negotiated that would give Saudi Arabia the only multiple-exchange fully electronic national telex network in the world with the setting up of 200 computerized stations. A strong contender for the contract is said to be Genter, which would thus become the first Saudi firm hired as a prime contractor for a telecommunications project.

The development of a nationwide color television network is in the hands of the French. The Arab League project was begun last September 1976 by a consulting consortium, Agence France pour le Developpement de la Television en Arabe Saoudien (ADETE). The Saudi government established a special

Thomson-CSF and Television de France have a \$400m. contract to supply and install telecommunication equipment. Thomson is also involved, together with the Electronics Ministry, the Ministry of Defense, and other French companies, in a \$243m. project to build a nationwide civil and military aviation air traffic electronic and radar cover network.

At the end of this year Pyle TVT of Cambridge is able to broadcast the French television monopoly with a contract to supply two television transmitters to the Ministry of Information for locations north of Riyadh. Until a nationwide microwave system is built there is still a market for mobile transmitters. These will move to more remote villages as the system is extended.



**The Saudi Arabian Plastics and Piping Company factory at Riyadh.**

**David Shireff**

## Telecommunications CONTINUED FROM PREVIOUS PAGE

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stations, incorporating Harris's Unitel system, were due for completion around March this year.

An expansion of the telex system is being undertaken by Gencet, part of the Saudi Allco group, with assistance from ITT. There were about 6,000 operating subscriber lines at the end of 1976 and those should be increased to 9,000 by the completion of the project. Another contract is being negotiated that would give Saudi Arabia the only multiple-exchange fully electronic national telex network in the world, with the setting up of two computerised stations. A strong contender for the contract is said to be Gencet, which would thus become the first Saudi firm hired as a prime contractor for a telecommunications project.

Radio and television networks

are being expanded. Medium-wave radio stations are under construction at Jeddah, Qurayyah and Duba by Continental Electronics of the U.S. and Edo-Keter of Greece. The contract for a fourth medium-wave station at Jizan in the southwest is expected to go out to tender soon. Tenders will also be invited shortly for a number of sound radio outside broadcasting units.

## Television

The development of a nationwide color television network is in the hands of the French. Work on the project was begun in September 1976 by a consulting consortium, Agence France pour le Développement de la Télévision en Arabie Saoudite (ADETE). The Saudi government established a special \$120 million credit fund for the pro-

ject, to finance subcontracts awarded to French contractors. Thomson-CSF and Television de France have a \$400m. contract to supply and install television equipment. Thomson is also involved, together with Electronic Marcel Desautel, and other French companies, in a \$243m. project to build a nationwide air and military aviation radar, electronic and wireline cover network.

Early this year Pyle TVT of Cambridge was able to break the French television monopoly with a contract to supply two television transmitters to the Ministry of Information for locations north of Riyadh. Until the nationwide microwave system is built there is still a market for mobile transmitters. These will move to more remote villages as the system is extended.

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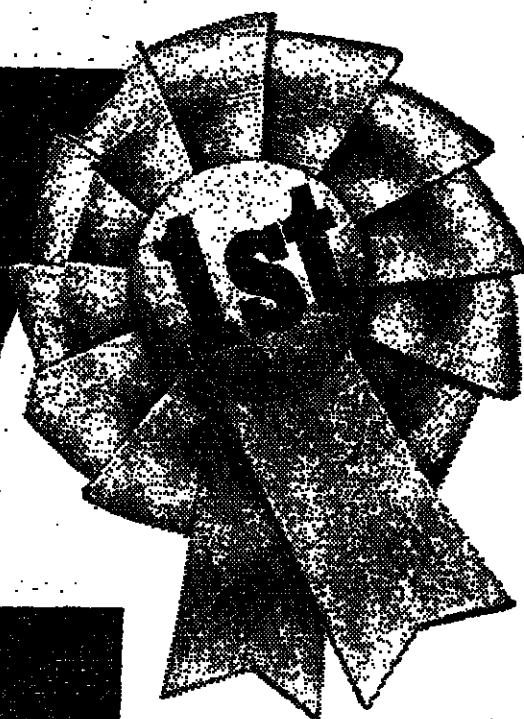
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## SAUDI ARABIA XII

One way or another Saudi Arabia plans to have sufficient port capacity and facilities to prevent any check to the Kingdom's huge programme of industrial construction and development. Congestion in the main harbours has been cleared, leaving the way ahead clear to provide increasingly efficient berthing and handling space.

## The ports

SEVERE CONGESTION is a thing of the past for Saudi ports—but will overcapacity arise in the future? That is the question at the heart of the Kingdom's present ports strategy.

The answer to the question, according to Dr. Fayed Badr, the planner who turned ports authority president 18 months ago, is that there will be slack capacity, but that this will be no more than the usual buffer allowance common in European ports.

Dr. Badr, who along with the predominant European consultants and management teams employed at the main ports of Jeddah and Dammam can take credit for the rapid clearance of the nine-month waiting period for ships in 1976, is firmly committed to expansion of the ports in line with the Saudi five-year plan.

But Dr. Badr is not entirely satisfied with the 150 per cent increase in capacity implied in this plan. He believes that Jeddah, which has an unstarted outline plan for a fifth stage of construction beyond 1981, will by then have reached the practical limit of its development in terms of hinterland infrastructure and that two "satellite" ports will be needed.

Since have already been earmarked on kilometres to the north and to kilometres to the south of Jeddah, these ports, which would have a minimum annual capacity of 2.5m. dwt.

Critics of the outspoken and sometimes imperious Dr. Badr, who communicates with shipping lines in peremptory style through long telexes or even newspaper advertisements, say that the projections on which this growth in capacity is based do not take full account of the very large savings in discharge time certain to be achieved through containerisation of cargo.

Estimates of the future degree of unitisation at the various ports differ, but Dr. Badr's own

projections suggest that eventually, probably within the next five years, about 30 per cent of all cargo through the port will be boxed. When it is considered that half the tonnage through both Jeddah and Dammam is building materials and cement, this represents 60 per cent of all general cargo tonnage. Others in the Middle East shipping trades would agree that Dr. Badr's estimates are, if anything, too cautious. Ro-ro trade, in the Badr forecast, shows a 20 per cent growth over the next decade. "We won't be taken by surprise, we have prepared ourselves," he says.

### Lavished

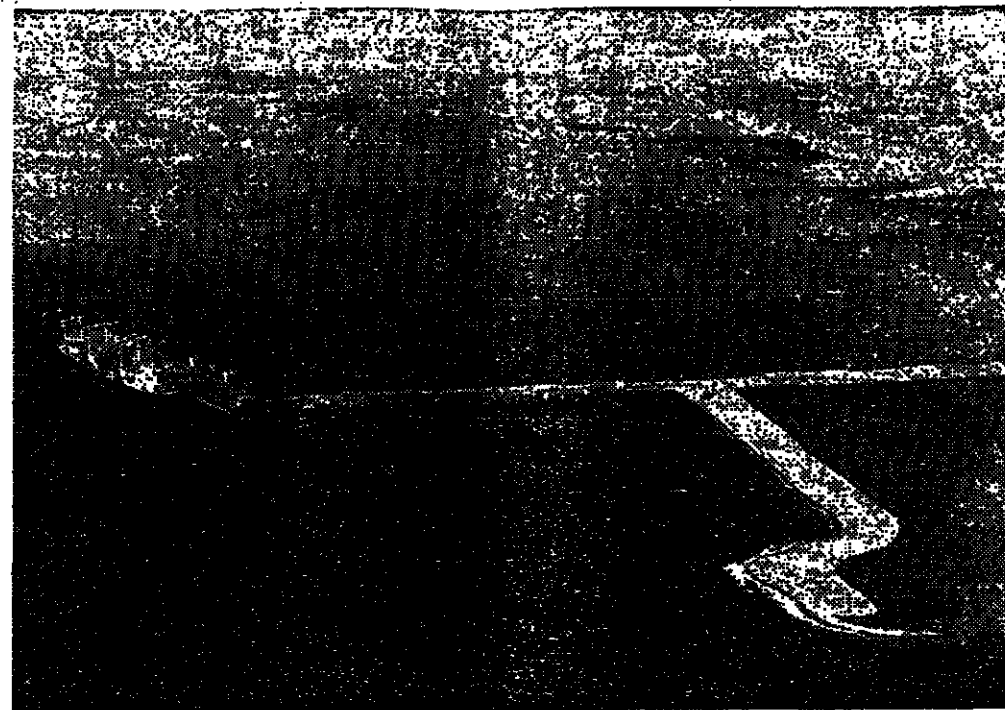
As far as shipowners are concerned, the only aspect of the debate about capacity in Middle East ports in general which really concerns them is the fear that eventually they may have to pay dues which reflect the immense capital expenditure lavished on the ports all round the Gulf and Red Sea.

On past experience this seems unlikely. Although Dr. Badr has variously spoken of two and five-year targets to make every Saudi port self-financing, there has never been any real suggestion that self-financing meant covering capital costs.

"Our ports are the most economical in the world," says Dr. Badr, a point he occasionally makes to the shipping line in requesting them to reduce their tariffs.

This year's budget for the ports he puts at SR88, against a total revenue in 1977 of SR250m. Clearly there is still a long way to go.

Improving productivity and eliminating waste are Dr. Badr's twin objectives now that congestion has been eased. One of his favourite examples is the financial improvement now that the Government has been able to suspend the excessively costly programme of lashing



The pierhead at Yanbo, with a freighter discharging pipes. A desalination barge is also moored alongside.

cement from ships in the harbour by helicopter. This operation was costing the Government SR250 per ton of cement, but has now been replaced by specialist cement handling facilities in the port operated by Saudi entrepreneurs. The result, says Dr. Badr, has been a reduction from SR40 to SR12 in the price the consumer pays for a bag of cement.

Likewise he claims significant gains since he outlawed stowage in the port of Jeddah by ships' agents and placed a contract directly for the port authority, using Filipino labour supplies by Phil Sing Ports. He says the unified system is up to 50 per cent cheaper, is faster and has contributed to a three-fold improvement in productivity.

Dr. Badr is reluctant to give much credit to his expatriate assistants for the improvements which have taken place. He has a somewhat niggling relationship with Gray Mackenzie over its role in Jeddah and has recently, in connection with the Phil Sing contract, reduced payments to the company from their original maximum of SR38 per ton of cargo handled—a figure which gives a hint, although by no means a precise indication, of the value of the three-year contract to the U.K. company.

Gray Mackenzie, part of the Inchcape group, employs between 1,500 and 2,000 of the 5,000 people working in the port, a fact which suggests a wider role than the merely advisory, but Dr. Badr insists that he does not employ port managers. Gray

Mackenzie does, however, like the other consultants, have a training function and has recently set up a training school. At Dammam, where the consultancy/management contract is much smaller and is in the hands of Gulf Port Management Services, a consortium involving Scruttons of London and the Mersey Dock and Harbour Company, the preferred style is to double up on every management job with a trainee Saudi working alongside his British counterpart. Gulf has just over 70 staff in the port.

The main container berth at Jeddah is operated by the Marine Transport International Consortium, which involves Manchester Liners and a number of Saudi companies. In the \$1bn. fourth stage of construction, still

on schedule, there will be two more large container berths, each 250 metres long. A total of 19 conventional berths is included in this stage of expansion, which should be completed by 1980.

Complete

At Dammam the western port development is also proceeding to timetable, with the eastern scheme now complete. Throughput has increased by around 60 per cent each year since 1975 and is expected to reach 8m. dwt this year—a figure slightly in excess of the port's theoretical capacity. Only 7 per cent of total cargo (14 per cent of all general cargo) is currently containerised, but this is expected to increase sharply as Japanese Jubail's own industry. There boxes come on stream later this year. Sealand will shortly commence a public container handling service, under contract from the port authority, from berths 31 and 22.

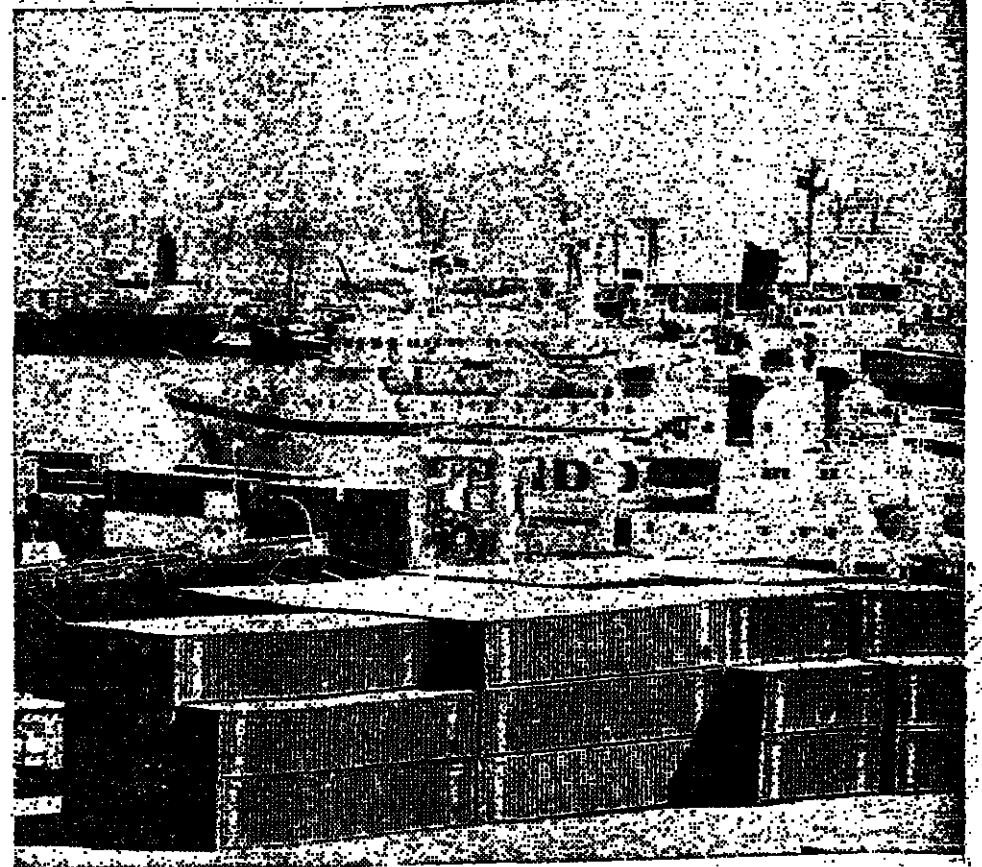
The total workforce at Dammam is just over 6,000, of which 50 are the Koreans, who are legendary efficiency in the Gulf. They work for Sakos, a joint Saudi-Korean venture. Jubail port is situated 90 km north of Dammam and is undergoing transformation from a simple fishing village to a sophisticated industrial complex involving, eventually, refineries, steel mills and an aluminium smelter. Two harbours are being constructed—a commercial harbour specifically as a satellite for Dammam and an industrial harbour to serve the Japanese-owned industry. There will also be a sea tanker

terminal some distance from the harbour with a depth of 12m. The total contract is valued at \$1.5bn. and is due for completion by 1980. The commercial harbour is planned to provide 16 deepwater berths for containers.

Yanbo on the Red Sea offer as its main facility, the biggest cement terminal in the world, capable of handling 700,000 tons a year. Apart from the cement berth, there is a general purpose berth.

As Dr. Badr says, there is a possible reason why the economy should ever again be blighted by the fact that cannot be moved through ports fast enough to meet summer demand and service construction programmes.

Ian Hargreaves  
Shipping Correspondent

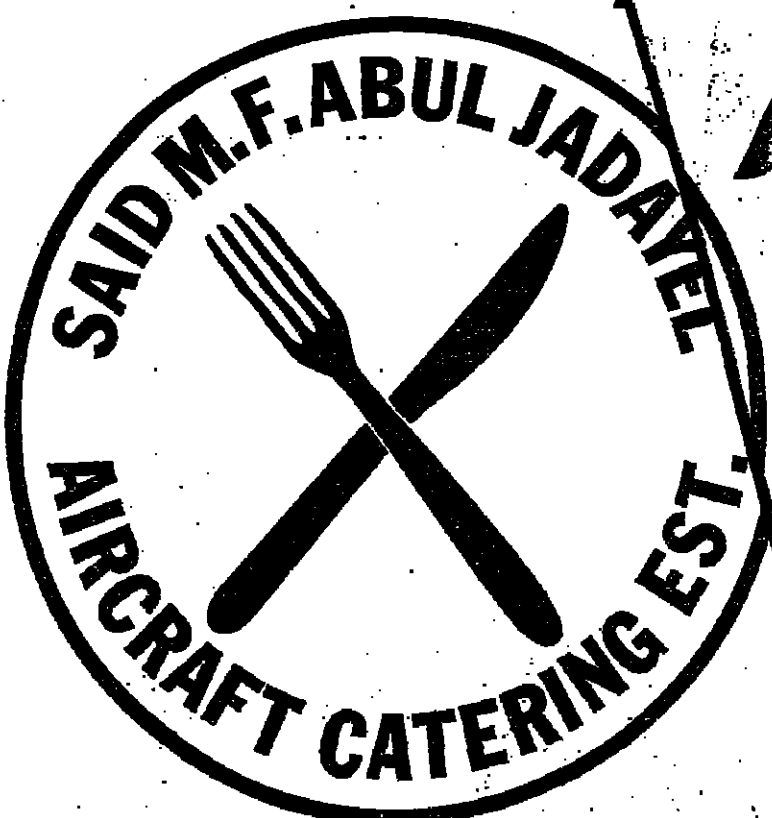


The port of Jeddah.

### PORT EXPANSION PLAN

	1977		1978		1979		1980		1981
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	
Jeddah	27	8.2	31	10.6	32	12.3	36	14.3	45
Dammam	24	6.5	28	7.1	37	9.1	40	12.3	40
Yanbo	2	0.8	9	1.5	9	2.4	9	2.4	9
Jubail commercial harbour	2		19	0.65	16	3.9	16	5.3	16
Total	57	16.1	82	20.45	98	29.5	105	35.3	114

Tonnage levels, in m. dwt., refer in all years except 1977 to theoretical capacity. Figures include livestock.



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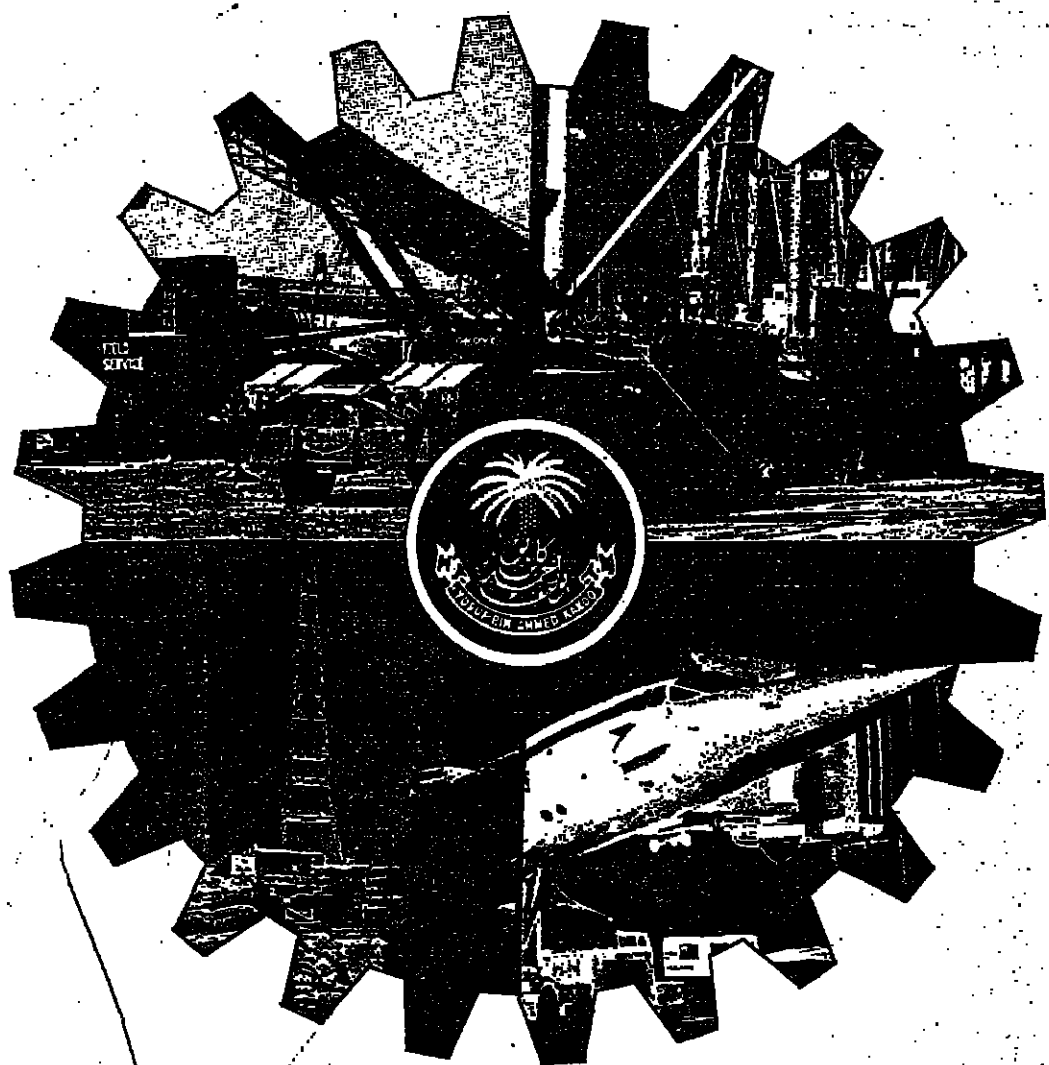


# Shipping

# SAUDI ARABIA

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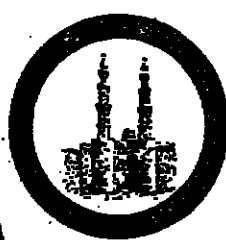
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### SAUDI ARABIAN BRANCHES PASSED TWO IMPORTANT OCCASIONS...

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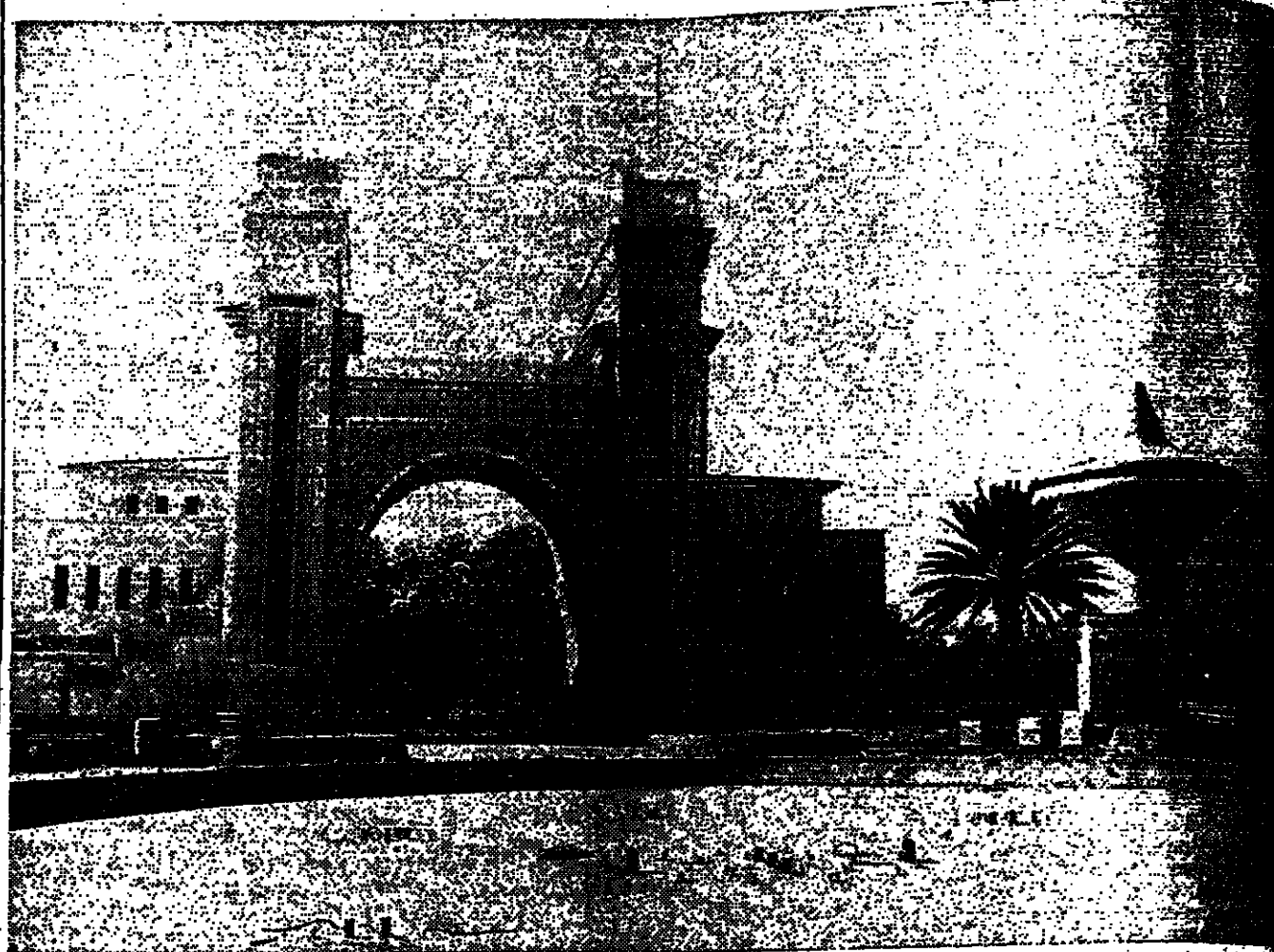
#### INDICATION OF BALANCE SHEET DURING THE LAST EIGHT YEARS MILLION RIYALS (THE NEAREST ONE MILLION)

LIABILITIES	1970	1971	1972	1973	1974	1975	1976	1977
CAPITAL & RESERVES	4	4	4	12	30	60	100	105
DEPOSITS & CURRENT ACCOUNTS	21	40	81	217	543	1194	1785	2085
BANKS & CORRESPONDENTS	19	10	3	6	43	56	70	100
HEAD OFFICE & BRANCHES ABROAD	23	16	31	17	27	38	130	39
OTHER LIABILITIES	3	19	10	28	55	116	305	310
TOTAL LIABILITIES	70	89	129	280	689	1464	2390	2648
CONTRA ACCOUNTS	40	57	144	520	1467	3273	4019	3574
GRAND TOTAL	110	146	273	800	2156	4737	6409	6222
ASSETS	1970	1971	1972	1973	1974	1975	1976	1977
CASH FUNDS & BALANCES	15	26	62	135	213	613	1182	1378
WITH BANK & CORRESPONDENTS	54	50	63	139	460	769	1088	1142
LOANS ADVANCES & DISCOUNTS	1	5	4	6	27	82	120	128
OTHER ASSETS	70	89	139	280	689	1464	2390	2648
TOTAL ASSETS	40	57	144	520	1467	3273	4019	3574
CONTRA ACCOUNTS	40	57	144	520	1467	3273	4019	3574
GRAND TOTAL	110	146	273	800	2156	4737	6409	6222

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## SAUDI ARABIA XIV



The Old Gate of King Saud's Palace in Jeddah.

Dominated by the observance of the laws of Islam, architecture has never been regarded as a decorative art in Saudi Arabia. This is one reason why architects now have to be imported from abroad. The vernacular architecture that remains shows how much has been lost.

## Architecture

FEW TRAVELLERS to Saudi Arabia before the discovery of oil found anything worth praising about its architecture, even in the crowded towns on the pilgrimage route, such as Jeddah.

Mecca and Medina preserved a dignified and austere urban architecture, with tall town houses supporting, on the upper levels, projecting wooden boxes with screens, to allow women discreet glimpses into the streets below. Jeddah evolved bolder and more adventurous dwellings, so broken by 'wedged' latticeworks and shutters: on every side of the upper storeys that only the corner piers remained in masonry. At the end of the 19th century, storeyed wooden balconies with an incredible richness and complexity of carved and fret-worked carpentry were added, projecting further and further out over the street as they went up, until they began receding at the top into delicate roof galleries and frail shade awnings against the sky.

It is hard to explain the refusal these days to acknowledge the indigenous architecture, or to understand the kind of snobbery which could not appreciate an architecture unless it was built of stone or baked brick, or unless it showed some contact with the metropolitan traditions of Rome, Paris, Cairo or Istanbul.

Saudi Arabian vernacular architecture, where it still remains, is one of the most arresting in the world. With few other material possessions to be proud of, the sheikhs and merchants of the towns and ports had evolved, after hundreds of years of development, houses and forts with unique qualities of strength, order and utility. They maintained these largely mud brick buildings in their pristine state by frequent replastering and painting, which imbued the obviously perishable materials with the qualities of human care and concern we normally associate with works of the potter or the sculptor.

In the south west the narrow fertile valleys in the high mountains have an architecture related to that of the neighbouring country, Yemen. The clay walls are protected against monsoon rains by closely spaced bands of slates, which project far from the wall surface. The glory of all this indigenous building was brought to an end by the advent of cement in the first age of the new prosperity. This became widely used over the old buildings, removing their lustre and reducing them to anonymity. It then rendered them obsolete in their owner's eyes as flat-roofed International Style bungalows and apartment buildings spread inwards from the new suburbs.

That phase proved only temporary, for land values rose so fast that the centres of most of the old towns could no longer hold private houses, even those of the fabulously rich, and non-descript tower blocks took their place. It is interesting to speculate that the causes of the lack of direction in modern Saudi architecture may be ultimately traced back several hundred years to Hijaz and Assir, and often even

to the modern religious and political strengths of the country.

Saudi Arabian attitudes to architecture are dominated by the observance of Islam according to the Hanbali rite, which is favoured by the ruling families. This has determined the culture of most of the country for 300 years. The Hanbali rite is practised by a strict puritanical sect which believes that Islam in its formative phase was a religion devoted to the worship of God alone in the most simple and direct way. For Mohammed—if he wanted buildings at all—there is some evidence that he did not believe they were necessary as far as religious observance was concerned—is believed to have favoured an unostentatious and humble architecture.

To-day the vocabulary of International Style in architecture predominates as a distastefully alien language. A lot of buildings where traditional walls were solid, screens as penetrable, and canopies and overhangs were unknown, a few recent buildings managed to escape the all-pervading modernity. Yanasak's Dhahran airport is one example, but for its initial visual impression Trevor Donatt's conference centre in Riyadh makes a bold attempt at an interpretation of the simple drama of Saudi traditions. But most reflect pragmatic reactions of designers to the vague and changing wishes of their clients.

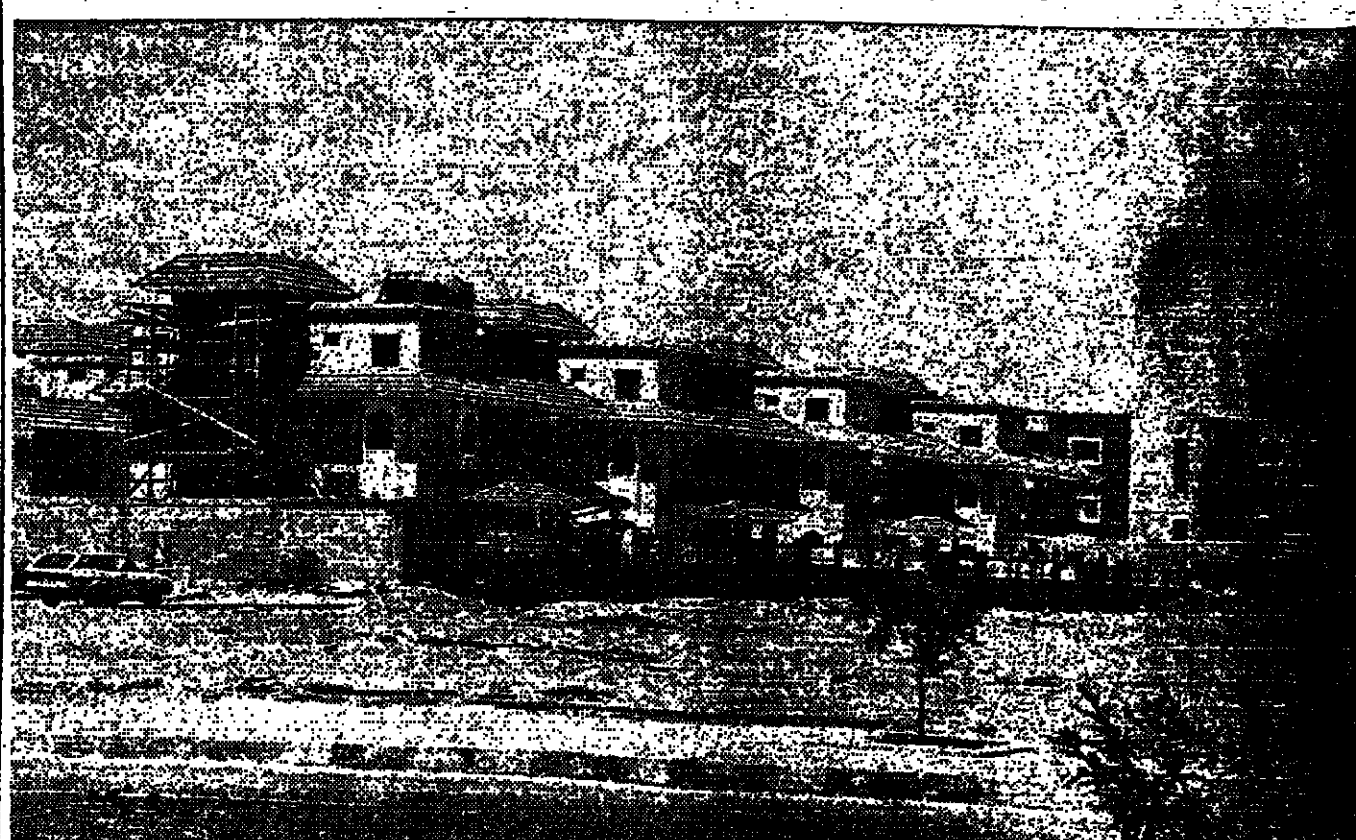
Attempts to revive an Islamic architecture have resulted in feeble pastiche, or have been characterised by signal misunderstandings of tradition. For example, courtyards, joining groups of houses instead of serving as the very kernel of privacy in each living space. So that when one wanders into the ruined old city of Jeddah at night, and looks at the light marvellously streaming out through the lattice 'musharabiyah', which took almost all the wall surface, the top storeys—delicate traceries of wood—permit the escape of cool air—one can lament the heritage that has been lost.

Dr. Ronald Lewcock

Varied

The styles of building varied across this vast land. Low and expansive in the north east, with high narrow rooms around brick paved courts, two or three to a dwelling, they had risen to two or three storeys in the centre of the country, with narrower courts to ensure shading in the heat of the day. Growing ever higher as one moved west, the houses were three or four storeys in the hill towns of the Hijaz and Assir, and often even

Second, it led to the cultivation of the attitude that fine architecture should not be enjoyed, and hence the deliberate encouragement of attitudes for contempt, both for the material heritage of the past and for the preservation of it in its environment. Third this has also stimulated contempt for the work of contemporary architects. This third unfortunate effect is probably the reason why there have been surprisingly few Saudi Arabian architects to serve the country since its rise to real prosperity, and this has forced the Saudis to resort to importing architects



Newly built housing near Jeddah.

مكتبة الكعبي



## SAUDI ARABIA XV

Although many of Saudi Arabia's business organisations are now run on a vast scale the family tradition still remains. The European needs to appreciate the characteristics of the business community in order to succeed.

## The business world

LEAST one Saudi business is in the top ten of the world's mammoth businesses. Several others are not far behind. To the newcomer moving for the first time into the world of Saudi business they appear initially not far removed from vast business organisations elsewhere in the world. In fact they are very different. These huge Saudi businesses have been built up by individual families in the course of one, or at most two generations.

The businesses were built up, perhaps two or three decades ago, when Jeddah, Riyadh and Isfahan were small towns where everyone knew their neighbours well. Business transactions were carried out between friends and acquaintances and the social aspect of a deal, sitting and drinking coffee and conversing together, is as important to the merchants of those days as the money which changed hands. Often, which did not change hands, for much business was done on trust. As one young Saudi businessman remarked, in 10 days of his father it was sufficient to give one's word that he would pay; there was no need reaching for a cheque book.

Saudi merchants to-day are still firmly heirs to this tradi-

tion. The older men have grown up with it and like it. Their sons, back from America with a PhD in economics or business studies, have never lost the strong Saudi attachment for working with their relatives and doing business with personal contacts.

This means that the European businessman, keen to extend his business to Saudi Arabia, is wasting his time if he simply sits in his office at home despatching batches of letters to Saudi business houses. Most probably they will receive no answer at all; they will certainly make no impact.

## Urbane

There is, unfortunately, no alternative to going out to Saudi Arabia, and to going frequently. Unfortunately—not because a visit to a Saudi businessman is an unpleasant experience; on the contrary, Saudis are urbane and charming hosts. It is, however, expensive and complicated to arrange. Visas take time to obtain, hotels are booked weeks in advance, a room can cost around \$50 for a night. A visit to Saudi Arabia is a major expedition, which requires careful planning and patience if it is to be fruitful.

Once there, the businessman should call on all his Saudi con-

tacts. Saudis at all levels are surprisingly accessible; even if one has not been able to make an appointment in advance (which is usually the case) they are quite happy to receive a visitor at virtually no notice.

Once he reaches his goal, after waiting in a crowded, antechamber or among the throng in the merchant's or official's office, the visitor may feel that here is a busy man whose time he should not waste. But he must suppress his longing to come to the point to plunge into the matter close to his heart and for which he has come so far.

His host will take it as simple courtesy that the conversation is held as though there were all the time in the world. Everyday matters are discussed, bitter green coffee or sweet milk-less tea is served. If the visitor happens recently to have seen his host's brother or cousin in some distant city it can be a good talking point to set the ball rolling. The host likes to feel his way, to see what manner of man his visitor may be.

This personal contact may go well beyond the brief meeting in the business office. Many Saudi merchants invite their foreign business contacts to a meal (usually an all-male function), or to day by the sea if they are in Jeddah or the Eastern Province. They will be pleased, and flattered if the

foreign businessman has taken the trouble to learn a little Arabic, even if he can go no further than the usual greetings. A fluent Arabic speaker will probably find it easier to establish close relations with his hosts, even though most of the conversation may still be held in English, for he will understand their culture and conventions and feel at ease with them. Back in England, an invitation to one's own home, a football match or an evening on the town, will be greatly appreciated by one's Saudi acquaintances.

It is at this stage, when the visiting businessman begins to know his hosts, that he can set about the task of choosing a Saudi agent or partner. If he certainly needs the assistance of a Saudi colleague who can advise him of business opportunities, help negotiate contracts, handle problems and formalities at the Saudi end and book air tickets and hotel rooms (perhaps the most vital service of all). A short list of businessmen in a particular field can soon be compiled; the foreigner should then get to know each of them, examine their track record, check that their help is actually likely to be effective in his own field.

Many foreign contracting,

industrial and business firms choose to go into a joint venture operation with a Saudi company. Providing that the joint venture company is 25 per cent. Saudi-owned it qualifies for numerous benefits. First and foremost of these is a five-year tax-free holiday under the Investment Code (which may in the future be extended—eight or ten years without tax are under consideration).

A joint venture is also entitled to benefit from the assistance offered by the Saudi Industrial Development Fund, where it concerns a private sector industrial venture. The Fund is empowered to lend, on very easy terms, up to 50 per cent of the capital cost of the development (excluding the cost of land). The Saudi partner may regard access to this loan as his share of the capital of the joint venture; it is important therefore to clarify the terms of the venture from the start.

Better access to market information is one of the great attractions to establishing a presence in Saudi Arabia. While some Saudi firms will keep their foreign partners supplied with not only way to do this is the way the time or inclination to do so. adopted by the Saudis themselves: to keep constantly tuned into the grapevine by chatting home salary with all found. There are few official to find. There are few official to find. There are few official to find.

of much value in this rapidly changing environment. For instance, trade statistics date from two years ago, telephone directories from three, and there are no trade directories. The only way to contact a senior official or businessman may be to know his direct line telephone number; the only way to obtain this may be to ask him personally.

Saudis shun publicity and seem to prefer a somewhat reticent way of managing their affairs. They hate to give precise facts and figures, which might help their competitors. One young businessman explained that his family owned so many small and larger companies under different names because his father was a modest man and thought it wrong to make a display of his wealth.

Under these circumstances the businessman needs to keep his ear to the ground if he is to not miss opportunities. The his expatriate personnel more information, many do not have the time or inclination to do so. adopted by the Saudis themselves: to keep constantly tuned into the grapevine by chatting home salary with all found. There are few official to find. There are few official to find. There are few official to find.

are usually too outdated to be

Money dealers in the Jeddah Souk.

Many firms find that the only way to keep in contact with the market is to establish their own presence in Saudi Arabia. It is, for many, the ideal solution but one which requires careful consideration beforehand for the costs and problems involved are daunting. Rent of a three bedroomed apartment runs at \$10,000 to \$12,000 per year; a small villa will cost some \$15,000, an "executive" villa \$30,000 a year. School fees are \$1,500 to \$2,000 per child per year, food and living costs about twice London prices.

Obtaining suitable office accommodation with a telephone is a major operation in itself and the cost of buildings near the city centres is extremely high. Labour is among the most expensive in the world, with day labourers earning some \$9 per day, chauffeurs (necessary because women may not drive) costing \$3,500 a year, a maid \$2,000. The employer must cushion his expatriate personnel more than might be the case elsewhere. Expatriates expect to earn two to four times their oil in Saudi Arabia and harder to find. There are few official to find. There are few official to find. There are few official to find.

Even so, many find it impossible to settle down and the

per cent, according to a recent Executives Resources International survey. The average period spent by expatriates in the Kingdom is about 18 months according to the headmaster of one of the English language schools.

Finding accommodation, obtaining a telephone, getting to know the right people, negotiating for a contract, all take a long time. The return on one's investment will certainly not be instant. On the other hand, this is one of the most interesting and exciting markets in the world. A paint salesman recalled visiting a Saudi businessman who said: "Well I will give you a small order just to try your product." The happy salesman went away with the largest order he had ever taken and dreams of a golden future. Another, a small manufacturer of wool cloth, visited a tiny shop in a provincial town and was given a surprisingly large order. Could his client perhaps give him some sort of deposit, he ventured. "Of course, I will pay right now," answered the shopkeeper, pulling out a box from under his piles of cloth, from which he counted out several thousand pounds worth of royal notes.

Edward Alexander

Shortage of manpower is proving a serious constraint on the country's development programme and Saudi Arabia is now recruiting workers from all over the world.

## Manpower

IS ironic that a country rich, over the centuries, has been a net exporter of population, should find itself in the midst of a destiny with an acute manpower shortage. Saudi Arabia has always produced more people than it could support. The most important reason for this was the role of the peninsula was the seventh century when the Islamic empire was staffed with settlers from Arabia, and sufficient number to give the Arab world its character. Since that time tribes pushed out of the peninsula have continued to settle in the neighbouring lands of Iraq, Syria and Jordan.

To-day the boat is on the other side. Saudi Arabia is now in manpower from all neighbouring states and, indeed, from the furthest corners of the world as well. The

urge to achieve rapid development of a land some 900,000 square miles in extent, which in 1948 had but one asphalt road, has created an urgent demand for labour at all levels of the economy.

Saudi Arabia itself cannot provide the manpower reservoir which is needed. Figures for the indigenous Saudi populations have not been published but are believed to be low. A census carried out in 1974 clearly produced disappointing results. When the figures were finally published in 1976 a total population of 8.1m. was quoted, but there was no breakdown of the figures into Saudi and non-Saudi citizens. Informed sources estimate that the indigenous population is between 3m. and 4m.

## Choices

Faced with the need to increase its population, a state has two choices: it may create instant citizens by naturalising desirable foreigners, as some of the Gulf states have done, or it may attempt to boost the birth rate and reduce mortality. Saudi Arabia has for many years refused to give Saudi citizenship to foreigners; Palestinians who arrived in the early years of the exodus were often given Saudi nationality, but those who came after have not been able to obtain it. An attempt was made to boost the birth rate by officially prohibiting contraceptives, but the familiar packets of pills soon reappeared on the chemists' shelves. The

drive to extend medical facilities and education ran certainly be expected to reduce mortality.

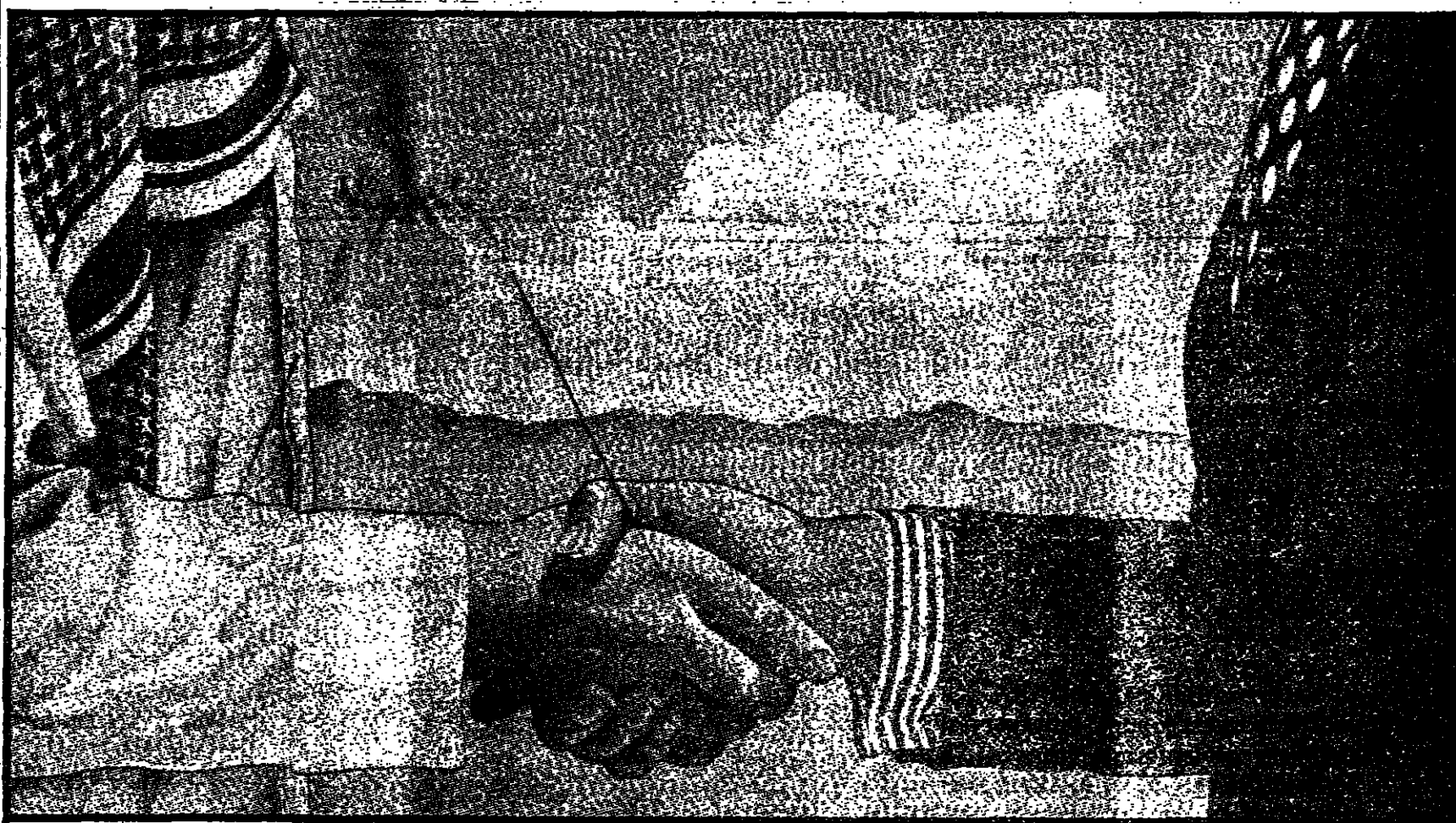
The drive for an increased Saudi population will not, in the short run, reduce the need for foreign manpower. Saudis, with their tradition of proud independence, are notably choosy in the jobs which they are willing to accept. The general prosperity which has swept the Kingdom in the past few years enables them to continue to be so. As one oil company official remarked, the bedouin had flocked to work for the oil company in the early years but now they had no need of the money and many had returned to the easy-going life of the desert, or had bought themselves a taxi.

Saudis prefer to be their own boss. At the lower levels of society they are happy to work as taxi or truck drivers or even as chauffeurs, and over half a million have remained in the desert as pastoralists. At the other end of the scale they prefer to be managers and administrators. As one diplomat put it: "Many Saudi offices seem to be staffed by a highly qualified, competent senior official and a highly competent tea boy, with nothing in between." Middle and lower ranking jobs hold little attraction in offices, while in schools and colleges it is the administrative rather than the teaching posts which appeal to qualified Saudis. Labouring jobs also fail to attract Saudis: few are found working on development sites or road construction, and by and large they are not interested in industrial labour either. One Saudi factory owner commented sadly that he had hoped to provide both skilled and unskilled jobs for his fellow countrymen and that he had been very willing to train them. He had, however, only managed to attract one Saudi worker and he was a cripple.

The armed forces provide the major exception to the rule that Saudis like to be chiefs rather than Indians. Fighting and handling weapons have always been considered mainly occupations by Saudis. To-day they are quite prepared to go through long training programmes to learn to handle modern hardware, and are proud to serve as ordinary soldiers.

Half the Saudi population at present makes virtually no contribution to the economy. Women are narrowly restricted in the work which they may do, in that they may not work in proximity to men, and it is estimated that only about 1 per

## What makes two into one?



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CONTINUED ON NEXT PAGE



## SAUDI ARABIA XVI

Saudi Arabia offers bigger financial rewards for the foreign worker than almost anywhere else, especially for those who are prepared to give up leisure time in favour of hard cash. But it also presents bigger problems for those who have not made adequate preparations.

## Expatriate life

SAUDI ARABIA continues to be the "Gold Rush" state par excellence as far as the foreign worker is concerned. It offers more jobs for expatriates than almost any other country, and for unbeatable, tax-free salaries. Small wonder that so many newcomers are prepared "to give it a try" more often than not with the mental reservation that "it will only be for a couple of years anyway."

The hardest days for foreigners are now perhaps in the past. These were not, as one might imagine, ten or 20 years ago when foreigners were a rarity and facilities minimal. On the contrary, those who have stayed on from those days are all bitten by nostalgia for the good old times. The small size of foreign communities led to a close and easy relationship, regardless of rank, among compatriots. They also spent easier social contact with Saudis. The foreign community in those days consisted of people experienced in living abroad; for most it was their chosen way of life. The Saudis felt at ease with this relatively small group of cosmopolitan foreigners.

When the boom came into full swing, four or five years ago, the Saudis found themselves suddenly overwhelmed by an influx of foreigners who seemed more alien because they were less accustomed than their predecessors to life abroad. The two communities drifted apart and many foreigners were disappointed to find that they could establish little social contact with their hosts.

At the same time the large numbers of newcomers lost the easy acceptance into their own community which had previously existed. People no longer "knew everybody" in their own group; newcomers often felt that they knew nobody. There was no ready welcome, nowhere to go to meet people (for there are no bars or social clubs), sometimes no

houses to be found and no school places for the children. For ordinary young families who had not been out of their own country before it took considerable resilience to cope with such problems, loneliness, and the struggles of day-to-day survival.

To-day the foreign communities are larger than ever before and some at least of their problems have disappeared, either through sheer weight of numbers or through the increasing experience of employers. It is noticeable that the two firms employing large numbers of expatriates who keep their foreign workers longest are the two with most experience in the field—Aramco and Saudia. Saudia can offer the incomparable benefit of frequent free flights home to its employees and their families. Aramco has no such attraction to offer and must keep its people happy in often adverse circumstances, in desert camps and on oil rigs.

## Welfare

Its concern with family welfare in quite small things makes people feel that someone cares. There is an office to sort out problems (staffed by one of the salaried wives); free plants are provided for the gardens; families may bring in one piece of their own furniture each year (freight paid); wives are offered jobs in the company's offices; camps are made as comfortable and attractive as possible: there are pools, schools, sports facilities. Under complete Saudi ownership concern for families is expected to be even better: one group of ladies is already looking forward to new kitchens which they have been promised.

Of course these facilities cost money and can only be provided on a large scale by large companies. Many smaller companies, however, are finding which that help with their homes and surroundings may persuade their workers to stay on; that those who arrive at a camp "with a swimming pool" to be shown the place "where the pool is going to be" are more likely to turn round and go home.

Newcomers are rather less likely to spend lonely months before meeting anyone, simply because there are so many others in the same boat to-day. Embassies and women's clubs often organise tea or coffee parties where new wives can meet, companies introduce their people to each other, there are more communal activities which offer some sort of a meeting ground.

In theory clubs and societies are not permitted in Saudi Arabia, and four or five years ago those which did exist, such as sports and dramatic societies, kept a very low profile (which also made it difficult for newcomers to hear of them). To-day such associations are more openly tolerated and the cultural ones especially seem to be quite favoured. Arts groups flourish in the big towns and their exhibitions are reported in the Press, as are the performances of the dramatic societies which now attract numerous Saudis to their audiences.

Schools for non-Muslims were also theoretically not allowed at the time of the great boom and those which did exist struggled to remain unnoticed. Expansion under those circumstances was difficult and for several years there was an acute shortage of school places. Four years ago the Saudi Government announced a project to found international schools, which was tantamount to recognising the need for non-Muslim education.

For a while existing schools waited to see how this would develop and over the past two years they have decided on a rapid expansion of their own which in this school year provided ample places. In

Jeddah, for example, where the school situation had been particularly critical, the number of English language school places expanded last autumn to over 2,000, from less than 800 four years ago. The new Continental School was opened by a group of parents, some of whom had not found places for their children in existing schools: it started with 80 children but with a potential of 400 places.

In the other cities also school places for western children have caught up with demand, and there is now a far greater choice of language instruction and school system. Most of the schools cover primary level, or just post-primary (up to age 13 or 14) only, and older children must go away to boarding school. The fees for these day schools are not low either, ranging from some £1,500 to £2,300 per year.

School fees are just an indication of the expenses involved in living in Saudi Arabia. Apparently very high salaries can rapidly evaporate if the contract does not cover provision of housing, schooling, medical insurance and fares home. House-rents are particularly high, with a small apartment costing from £10,000 to £15,000 per year and comfortable villas reaching as much as £30,000-£40,000. Last year there was some indication that the rents might have peaked off, especially for apartments. There were stories of dramatic drops in the rent of some apartments where new buildings had saturated the market.

Despite the definite signs of easing in some fields, life for the expatriate in Saudi Arabia remains tough by most standards. The climate with its extreme heat and, on the eastern and western seaboard, humidity, is tiring and straining. The strictly religious Saudi society is very different from that of most other coun-

tries and the expatriate is deprived of most aspects of his own culture. With no cinemas, theatres, concerts, nightclubs or bars (or alcohol other than home-brewed) to which to turn for evening entertainment, he must build a social life in the homes of a group of friends or simply work at night until he drops. Couples usually manage to adopt the former option; for those on bachelor status it is more often the latter.

A family may cushion the expatriate from the worst extremes of loneliness and boredom, but moving the family as a whole is no panacea. Women in Saudi Arabia find themselves more restricted than in any other country of the world and this is initially a depressing experience. They must dress "modestly" in long dresses with short sleeves or trousers with a loose shirt over them. They are not allowed to drive a car, to travel by air without a male escort from their own family, or to take a taxi alone (although most at least do this). They cannot ride a bicycle or a motorbike and buses do not pick up women.

Such transport problems can mean that many women spend their days confined to their own homes, especially in the early months when they have not yet found friends nor the confidence to walk around by themselves. Naturally the majority quickly look for a job and here the opportunities, especially for office jobs, are extensive. Pay is good—a secretary can earn £5,000-£8,000 tax-free—but the work is illegal since it must be in offices where they will come into contact with men. Every now and then all the women are expelled from a set of offices by the labour authorities, occasionally they are fined.

Increasingly firms are bringing in men on "bachelor status." This is less expensive for the employer, avoids all the problems of keeping the families happy, and pleases the Saudi authorities who see their facilities strained by the need to provide housing, western style food and comforts, etc. for large numbers of dependants.

## Pre-fab

At the top of the scale the single men may live in hotels or luxury flats. For the great majority, they stay in pre-fab accommodation on a work-site with little scope for leisure relaxation. The companies provide a house at frequent intervals to compensate for the harshness of conditions: those in remote

desert camps have three months on, three weeks off with paid home leave. The best deal seems to be that of the Aramco 28-dayers, rig workers, who work a solid 28 days in gruelling circumstances, compensated by 28 days back home.

Those working under more comfortable circumstances have leave less frequently, but most westerners without families get home twice a year at any rate. The large number of eastern labourers, especially Koreans, have less easy terms and get home only once a year. Some even forego this in order to collect the cost of their fare as a bonus. They, too, set the pattern for opting to work through Friday on overtime.

Men on bachelor status are strictly in it for the money. They are probably collecting from two to four times their salary at home, tax free; with no distractions they are prepared to work for the money, and for any bonuses available. It may be a case of "all work and no play makes Jack a dull boy," but they have the consolation that they can buy the home of their dreams, at the end of it—for not more, probably, than their employer was paying for their year's rent in Riyadh.

Edward Alexander

## Manpower

CONTINUED FROM PREVIOUS PAGE

cent of women are currently working—one of the lowest participation rates in the world. Some Saudis point out that in the early days of Islam, women played a much fuller role in the economy and that the Prophet Mohammed's own wife was a merchant caravan owner and initially his employer. They feel that Saudi Arabia cannot escape from its dependence on foreign labour without making use of all its own population.

Traditional restrictions are, however, very deeply rooted, and the majority of Saudis still feel that a woman's place is in the home. They consider that, in this time of sweeping changes, it is particularly important to preserve their Islamic values and that seclusion of their womenfolk is an integral part of these values. The rapid expansion of education for women, and particularly of higher education, is putting a strain on these traditional attitudes and it is difficult to see how this will be resolved. "We hope that

change will come gradually, without upsetting society," says a young educated official. "There has already been great change," comments a young woman graduate, "many of my fellow graduates now work as I do."

Meanwhile the Saudi Development Plan is being carried out at a cost (labouring rates are some £9 a day) by several million foreign workers. A further half a million skilled foreigners are being brought in under the present Five-Year Plan. Most are Yemenis, whose numbers are thought to be between 1m. and 2m. The impoverished Republic (North Yemen) has received a welcome boost from remittances from these workers.

The spreading prosperity in this neighbour state, with its relatively large population, is also welcome to Saudi Arabia, which has viewed with distaste the considerable Russian and Chinese presence there in the 1960s and early 1970s.

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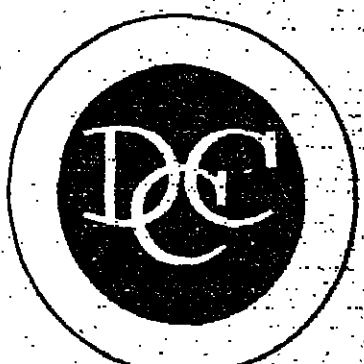
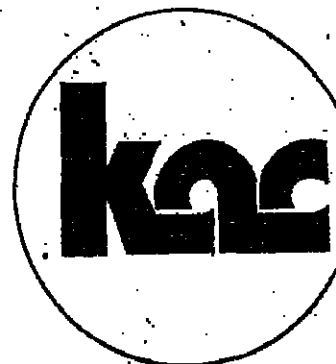
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## SAUDI ARABIA XVII

Saudi Arabian morality as encompassed by the religious legal system is often seen by people in the West as being unnecessarily harsh. But it has the desired effect. Saudi Arabia is comparatively free of crime, and Saudis' abroad are often shocked by apparent licentiousness in the West.

# Upholding the law

YOU WILL HAVE to be careful when you leave Jeddah. It is not like Saudi Arabia, where you are going," a Saudi friend remarked seriously to a somewhat casual Englishman who relied on his memory to lock his car. In the course of several years in the city he had seen nothing, his shopping and his brief case remained unharmed in his unlocked car, his clothes and silver safe in his house.

So good is security in Saudi Arabia that the inhabitants tend to assume that a robbery could never occur. I have seen, abandoned by an extremely remote desert track, a neatly packaged medicine containing a bedouin's tire belongings: his tent, his camel saddle, his cooking pots and water skins. It was covered with a dusting of sand showing that it had been there some time. One day he would come back and recover it.

In fact there are occasional thefts, usually only involving alcohol and therefore hushed up by the victims. Robberies from shops (such as a spate which occurred in Jeddah last Ramadan) are rare enough to be a talking point for months afterwards, a subject for concern and condemnation. Small shopkeepers in the souq, who close their shops for half an hour at prayer time, simply bang a net across the open front, or just leave the stall unattended. Goods are available for any who would care to touch them. No one does.

Despite the large numbers of foreign workers and the unprecedented upheavals in Saudi society itself, the Kingdom has succeeded in maintaining a uniquely safe and peaceful environment, both in the mushrooming cities and in the empty wastes of the desert.

Life was not always so in Arabia. One cannot say (as one might perhaps of Switzerland or for instance) that to-day's citizens are heirs to a long tradition of law-abiding self-discipline. They are not. The peninsula was known in the past as a seat of anarchy and warring tribes, among whom the weak went to the wall, or paid for protection.

This state of affairs was first taken in hand by the Prophet Mohammed in the early seventh century. In preaching the religion of Islam he also preached a social code which would provide a secure, orderly and dignified life for his followers. This was upheld by a system of religious law, the Shari'a. Such a legal system, in a land of believers, has the additional strength that it is obeyed not only as a civil duty but also as a religious one.

### Waned

Over the centuries, however, the sway of the Islamic social code had waned and anarchy had largely returned. The tribes, who were the majority of the inhabitants, were their own masters and the *droit du plus fort* often prevailed. Foreigners, by being pilgrims, explorers or businessmen, travelled at their risk and peril and were not infrequently robbed or assaulted. The numerous travel accounts from the last few decades of the past century and the first one or two of this, paint a picture of fear and wanton attacks in what now seems like a quite different world.

The man who brought law and order in this century was Abdul-Aziz Ibn Saud, unifier of the Kingdom and its ruler for half a century. For any man to rule the unruly tribes of those times it was essential to ensure that his word was obeyed. Harsh measures were called for and used. When a section of the Harb tribe disregarded his ban against raiding caravans, their camp was attacked and the men massacred. Similar measures elsewhere brought control throughout the land, for the word soon spread of the punishments meted out to those who disobeyed.

Abdul-Aziz was a proponent of the Wahhabi doctrine of a return to the pure teachings of Islam. The state which he founded in the heartland of Islam is strictly ruled according to the social tenets of the religion, and by Shari'a law. Rigorous application of this law, and the certainty of harsh physical punishment for malefactors who are caught, has brought a remarkable degree of compliance in the environment of a society deeply imbued by religious teachings.

At a superficial level social morals are maintained by the *mutawanna*, a class of elderly and religious men, armed with sticks, who patrol the souqs to ensure that the social code is visibly obeyed. A bang on the counter obliges the shopkeeper to abandon his last hasty sale and make for the mosque at prayer time. A woman wearing a short skirt risks a smack on the leg from the *mutawanna's* stick. A youth with long hair may find his head shaved. Shortly before the last pilgrimage there was an announcement that anyone found immodestly dressed in Mecca would be subject to whipping.

Punishments are carried out in public, to add the shame of exposure before a disapproving crowd to the pain of the sentence. There is the added deterrent factor for the crowd themselves, who can thus envisage the reality of the punishment. Whippings are not infrequent and many prison sentences also involve several public whippings.

One of the most discussed of Shari'a punishments is the amputation of the right hand for theft. This seems to-day to be one of the least frequently applied punishments, for it is only used for repeated theft and there must be witnesses. It is, however, a sufficiently terrible penalty to command respect: Muslims are constrained to eat with the right hand and a thief who has lost his right hand may never again eat in the company of others.

More frequent, it seems, are beheadings for murder and rape. These are carried out, by the sword, in public, on a Friday morning, the crowd being summoned by an announcement shortly beforehand. Pleas of mitigating circumstances appear to carry little weight before the court. King Faisal's deranged assassin was still executed, as was a murderer who ran amok in the souq in Jeddah a couple of years ago and killed at random several passers by.

The recently much-publicised execution last July of a Saudi princess illustrates the way in which execution can still be used to uphold other aspects of the social code. It was exceptional, however, in that it was performed without a royal decree but on the authority of the princess's grandfather, the eldest surviving son of King Abdul-Aziz. Unusual, too, was the fact that this execution shocked moderate Saudi opinion which is generally in favour of tough penalties.

In the past few years there have been several executions for rape, some of them involving more than one man. Discussing one of the earlier of these executions, a well educated Saudi commented that the King was right to decide on the execution of the three men concerned. With the rapidly changing state of society and the very large number of foreign workers not accompanied by their own women, it is vital that we protect our women now.

Protection of the women has always been of central concern to Muslims for a family's honour is seen to reside in the reputation of its womenfolk. In the past women were totally secluded, married young around the age of 13, and were therefore excluded from risk. To-day, with Western influence and changing mores, many families cannot, and have no wish, to cloister their women. Even the most modern of families, however, dare not take a risk with their women's reputation. They still carefully look after their wives, daughters and sisters, and mixed social functions are generally only within the family or a close set of friends.

Saudi attitudes to Western society stem from these varying views. While the men happily seize the pleasures which the West has to offer, and spend increasing amounts of their time in London, Paris or New York, they do not want their own girls to be like Western women, or anyway not entirely so. It is agreeable to have as a companion a sophisticated, educated woman who knows about the world, but just how far should they let their own female relatives go in that direction? Some repeat the old saying that "the woman is the pan in which the nation's food is cooked; if the pan is clean the nation will be healthy." It is safest, they decide, not to compromise.

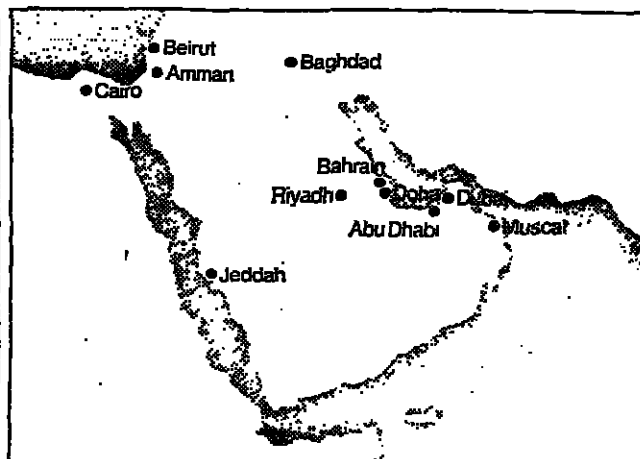
The Saudi condemnation of the "moral degeneracy" of the West is perhaps more unanimous when it comes to the lack of public security there. Many Saudi families have now experienced robberies of jewellery from European hotel rooms, an attack as they got out of a large car in a dark street, even a new London home lost temporarily to squatters. "Why do you allow such things?" they ask: "Why let the law-breakers make life uncomfortable for peaceful citizens?" While the West is shocked by the medieval nature of punishment in Saudi Arabia, Saudis are shocked by the mildness of Western punishment which seems to them to encourage crime.

Education is now widely sought for middle- and upper-class Saudi girls whose families realise that even if it may not bring their daughter a career it will probably bring a better choice of husband. Young Saudi men, who now find it difficult to obtain permission to marry a foreign wife, are more likely to choose a Saudi girl if she too has a degree.

There is no clear cut opinion over what women's role should be. While some Western-educated Saudis feel that if the country is ever to reduce its

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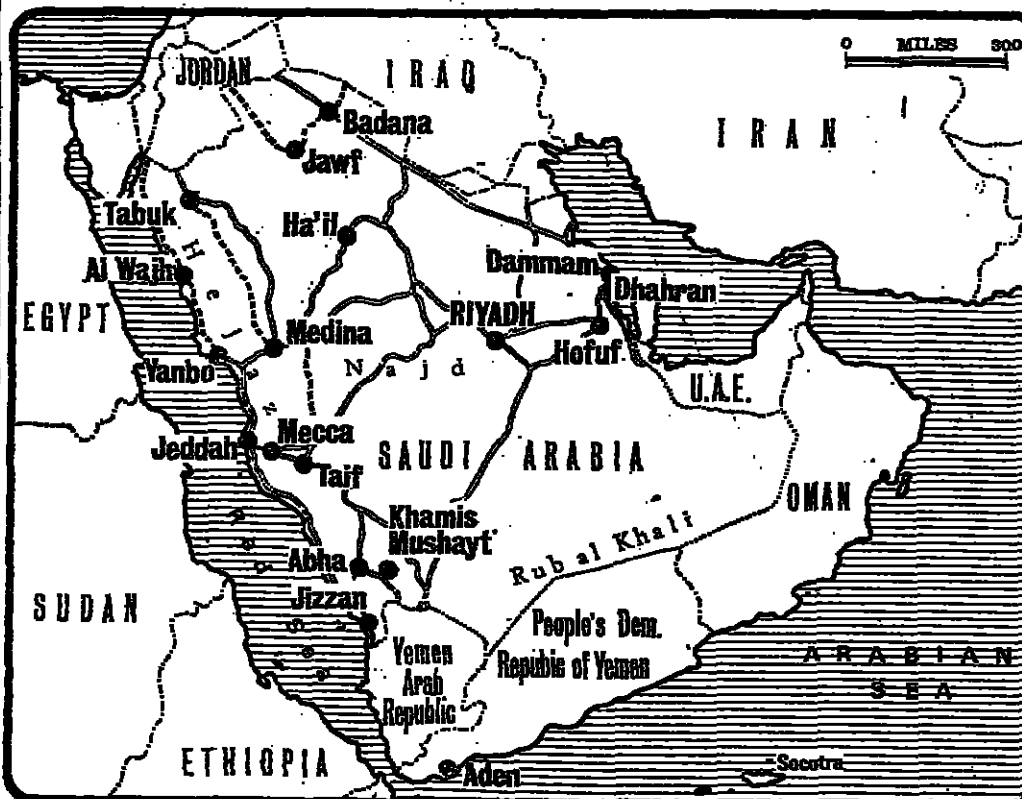
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Religious observance is central to Saudi society, and the annual pilgrimage to Mecca, the Hajj, is an important element. It also gives Saudi Arabia, as guardian of the Holy Places, a unique position in the world of Islam.

## The Hajj

EVERY YEAR, some one and a half million people gather in an area of a mere seven square miles for the world's largest religious ceremony: the pilgrimage to Mecca, known in Arabic as the Hajj.

The ritual for this unique ceremony, as laid down by the Prophet Mohammed, has remained unchanged for nearly 14 centuries, although many other aspects of the Hajj have changed. The numbers have grown enormously, particularly in recent years, and the invention of air transport has added a new dimension to this spiritual journey.

According to Islamic tradition, the Ka'aba, the cube-shaped shrine around which the pilgrims circumbulate as part of the ceremony, is built on the site where the Prophet Abraham established a monotheistic place of worship. Hence the Ka'aba is also known as al-Bait al-Atiq (the Ancient House).

which the pilgrims drink, is the one from which Hagar drank when in the desert with her infant son Ishmael, Islam believes. The sacrificing of an animal on the day of the pilgrimage known as Id al-Adha ("Festival of Sacrifice") commemorates Abraham's willingness to sacrifice Ishmael, his first-born son, at God's command (according to the Biblical account it was his younger son Isaac who was to have been sacrificed).

The pilgrimage, symbolising Islam's continuity with the monotheism preached by all prophets since earliest times, is compulsory for all Muslims who are able to perform it. It is known as one of the five pillars of Islam, the others being: belief in only one God and Mohammed's prophethood; prayer five times daily; donating 2½ per cent of one's income and capital annually for the welfare of the poor; and fasting from dawn to sunset in the month of Ramadan.

Thanks to modern means of transport, increasing numbers of Muslims are now able to perform the Hajj. The caravans of horses and camels which less than a century ago used to set out for Mecca from Damascus, Cairo and Baghdad (sometimes with an armed escort to protect the pilgrims from robbers on the way) have been replaced by Boeing jets, buses and modern passenger liners. A journey that used to take pilgrims from Kansu in China up to three years is now a matter of hours.

The effect of rapid transport is shown dramatically by the increase in the number of pilgrims. At the last pilgrimage season, 739,319 non-Saudis entered Saudi Arabia for the ceremony. Added to 392,129 Saudis and 496,141 non-Saudis resident in the Kingdom who also performed the pilgrimage, this brought the total number of pilgrims last year to 1,627,589.

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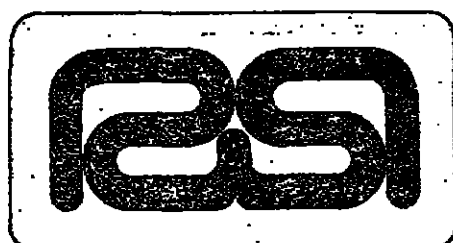
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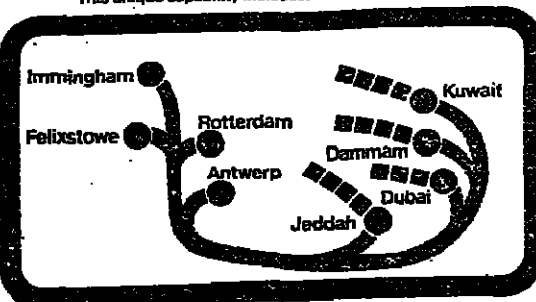
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## SAUDI ARABIA XVIII

Saudi Arabia takes very seriously its responsibilities  
as guardian of the Holy Cities, Mecca and Medina, and as  
defender of the values of Islam. But the danger of major conflict  
between these values and those of 20th century Western  
society seems to be coming closer.

# The Islamic community

THE KINGDOM of Saudi Arabia is perhaps the nearest equivalent in the world to-day to the old Islamic ideal of a theocracy: a community of believers who have benefited from divine revelation to the Prophet Mohammed, and who seek to implement God's will through the application of the Holy Law, or the Sharia.

Development economists may be somewhat surprised by the initial presentation of the current Five Year Development Plan, for the first of its guiding principles is to maintain the values of Islam, and the second is to ensure the defence and internal security of the Kingdom. While this may seem a peculiar ordering of priorities in the context of the economic development of the country, an Islamic political theorist would find it quite natural. For, if the Islamic community is to prosper, there must be constant interaction between religious authority and political power. The religious authority gives legitimacy to the political power, and the political power is in itself a form of religious prestige, for it is through this power that the ruler maintains the conditions in which the Sharia may flourish. This explains the interdependence of State and religion in the traditional Islamic community. This is the situation which the modern Kingdom of Saudi Arabia seeks to preserve.

In the Kingdom there are constant reminders that religion is not something relegated to the realms of private conscience or restricted to a domain set apart from everyday existence. In Government offices interviews are interrupted with courtesy and dignity, as the officials withdraw temporarily when one of the five appointed times of daily prayer intervenes

in working hours. Television programmes are suspended with scant regard for moments of dramatic tension, whether they occur during the latest romantic serial imported from Egypt, or during the screening of a key soccer match. Classes in schools and universities adjourn for prayers. Whole troops of soldiers can be seen performing the ritual prostrations with military precision as their transport lorries stand motionless on the verge of some desert road. Perhaps most dramatic of all is to be in the main souq or market of the capital, Riyadh, during one of the busiest shopping periods of the day, towards the end of the afternoon between 4 and 5.30.

The souq is a frenzied hive of buying, selling, bargaining. Its labyrinthine alleys reveal under garish electric lights all the trappings of a voracious consumer society where money is the most abundant commodity. In the gold and silver souqs, glittering banks of jewellery invite the citizens of Riyadh to display the traditional status symbols of their world: many are the women who conceal themselves artfully behind the dark translucent veils which cover the whole face, while their forearms appear almost solid in an ostentatious display of gold bracelets. Suddenly the religious police appear: the *Mutawwi* in ('those who demand obedience'). Imposing figures of authority, usually dressed in

brown flowing robes edged with gold braid, they carry long canes and stride throughout the market ordering the shops to close and the merchants and their clients to prayer. Their canes rap sharply on the shop fronts, or on the very heels and shins of the dilatory, as their strident voices urge to prayer. Shutters descend throughout the souqs in a series of metallic rattles and crashes, the lights are switched out and the fruits of the economic miracle disappear from view. Of course not everyone goes to the mosque to pray, and there are those who answer the *Mutawwi* in with good-humoured banter, but they too close their shops. The souq will not begin to re-open until about an hour later.

## Creative

The history of what was to become the Kingdom of Saudi Arabia can be traced back over some 200 years, and the religion of Islam played a vital creative role throughout. In the 18th century, the desert regions of the centre of the Arabian Peninsula constituted a nebulous border area of the Turkish Ottoman Empire. The Ottomans exercised nominal control over the Western region of the Peninsula, the Hijaz, and considered themselves the guardians of the Holy Cities of Mecca and Medina. Muhammad Ibn Abd al-Wahhab (1703-92) was a native of the Nejd province in Central

Arabia, and a member of a notable family of theologians who followed the Hanbali school of Islamic law. He travelled widely in order to visit the main centres of Islamic scholarship in his time—Medina, Basra, Baghdad, and as far as Isfahan. He was deeply influenced by the intellectual tradition of the eminent Hanbali jurist, Ibn Taymiyya, who died in 1328. When Muhammad Ibn 'Abd al-Wahhab returned to Nejd, he started to preach doctrines of fundamentalist Islamic revival. It was aimed at the desert tribesmen of the area, on whom Islam had notoriously lightly at the time. It was also violently against the mystic sufi, and directly anti-Ottoman. In his eyes, the Islamic community, protected by the Sultans of Istanbul, was a decadent deviation from that ideal community established by the Prophet Mohammed and maintained during the rule of the first four Caliphs in the 7th-century AD. Therefore it was invalid, as was the regime which claimed to be its guardian. Through an alliance with a local chieftain, Mohammed Ibn Saud, he proclaimed a new revolutionary theocracy. Its political and military power was to be provided by the House of Saud, and its Islamic legitimacy was proclaimed through the most rigorous application of Hanbali law, as interpreted by Mohammed Ibn 'Abd al-Wahhab.

The modern Kingdom of Saudi Arabia has its origins in this religio-political dynasty created in the 18th century. The fortunes of the Saudi dynasty fluctuated spectacularly during the 19th century. 'Abd al-Aziz Ibn Saud recaptured Riyadh in 1902. This was the prelude to his ultimate triumph, which culminated in the conquest of the Hijaz and the Holy Cities of Mecca and Medina in 1926. Finally the Kingdom of Saudi Arabia was proclaimed in 1932. Throughout its history until the triumphs of the 20th century, the Saudis never abandoned the moral code of Hanbali fundamentalism as preached by Mohammed Ibn 'Abd al-Wahhab.

The Saudi state was one example of a model which has long existed, since the very first century of Islamic history, when small communities expressed their piety through militant forms of religio-political activism. Because of their opposition to the mainstream ruling regimes, as a rule they existed in the far-flung peripheries of the Islamic world, such as North Africa, or the less frequented regions of the Arabian Peninsula. They were remote from areas of dense urbanisation, significant economic activity, or sophisticated systems of bureaucracy and administration. They existed most readily in those milieux which presented a minimum of distractions from the uncompromising puritanism of their ethical codes. It was possible there for religious authority and political power to co-exist readily and directly.

When King Abd al-Aziz conquered the Hijaz in 1926, his dynasty assumed the guardianship of the Islamic Holy Places, Mecca, the birthplace of the Prophet and focal point of the Pilgrimage, Medina, the home of the original Islamic community. The fundamentalist nature of the Saudi Regime and its associations with the Holy Cities have created an ideal image in the minds of Moslems throughout the world.

Many of them see in Saudi Arabia the nearest equivalent to that ideal society which would satisfy the rigorous demands of their faith, even though they know in their hearts that it would be quite unworkable in their own social situations. Until comparatively recently, the religious prestige enjoyed by the territory surrounding Mecca and Medina had flourished in an atmosphere uncomplicated by any great political, economic, or strategic significance. But in 1938 the first commercial quantities of

oil were extracted from Saudi Arabian territory, and so began, at first slowly, that unparalleled flow of wealth which to-day has brought to an end that country's former political and economic isolation from the rest of the world. In purely economic terms, it is arguable that the extent of the influence wielded by Saudi Arabia to-day surpasses the high points of other great periods of power enjoyed by the Islamic world: for example, the first century of the Abbasid Caliphate from 750 AD, or the reign of the Ottoman Sultan Sulayman the Magnificent (1520-1566).

Now the unequivocal desire of the Saudis to promote the rapid economic development of their country means that the Islamic traditions there are surrounded by pressures for change and re-formulation. The manpower crisis affects not only the creation of the economic infrastructure: the still small Saudi intellectual elite is acutely aware of the need for the constant reassessment and re-formulations of Islamic tradition as they press ahead with gas collection projects, new transport systems, ports, airports, and all the trappings of an industrialising society.

## Rigorous

The law school which prevails in the country is that created originally by Ahmad bn Hanbal in the ninth century AD, and traditionally this was the most rigorous and unyielding of the four schools of orthodox Islamic law. In the latter decades of the 20th century, Hanbali Islam in Saudi Arabia has become more accommodative than at any other time in its history, unconcerned with its survival in any v sense. The process of interpretation and, if necessary, re-formulation of the tradition is the means which ensures that Islam retains relevance and viability in evolving social situations. If this does happen, Saudis will find increasingly difficult to read and develop its special identity. The task is urgent, for the greatest danger, faced by any deeply religious society, is that it should become more accommodative than it is to survive in any v sense. 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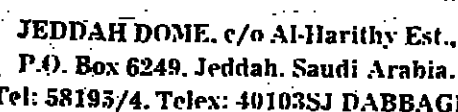


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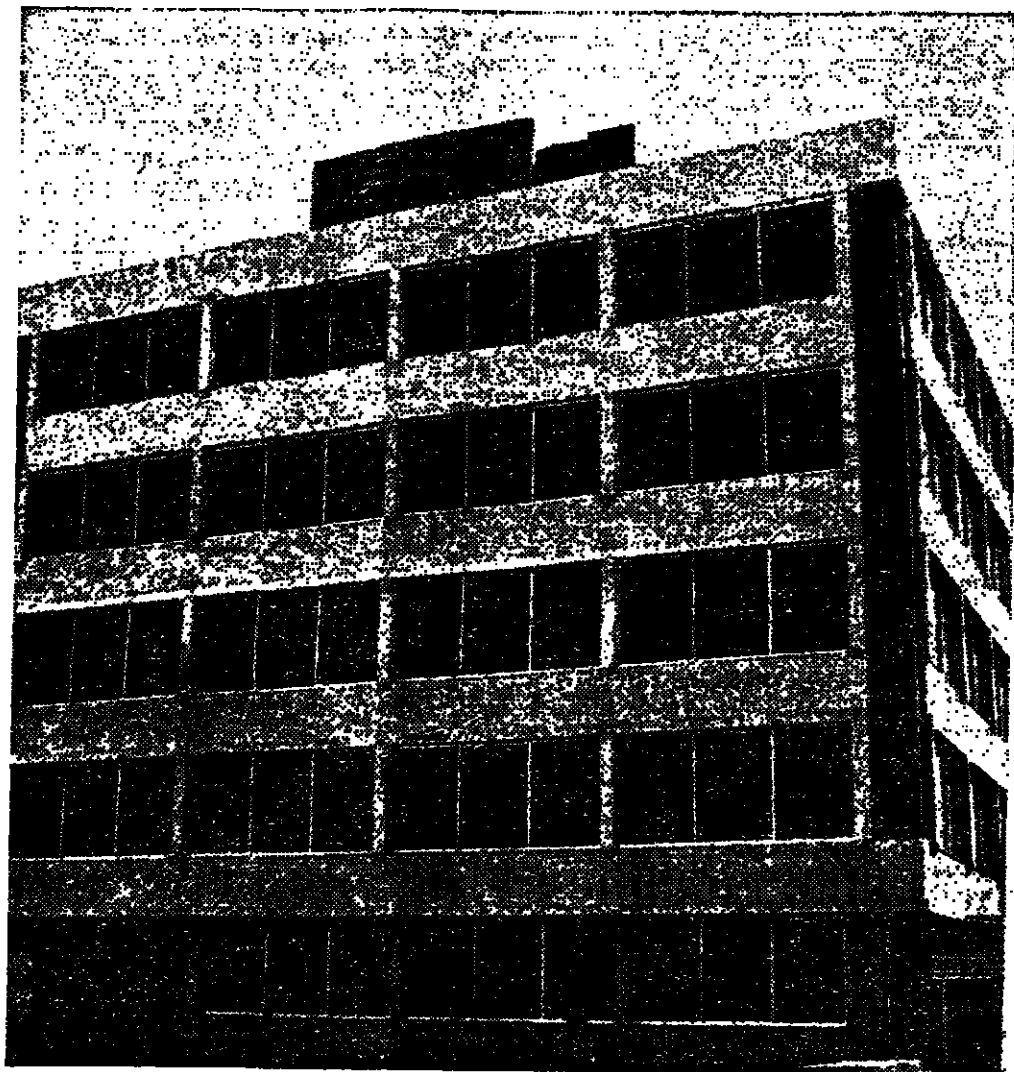




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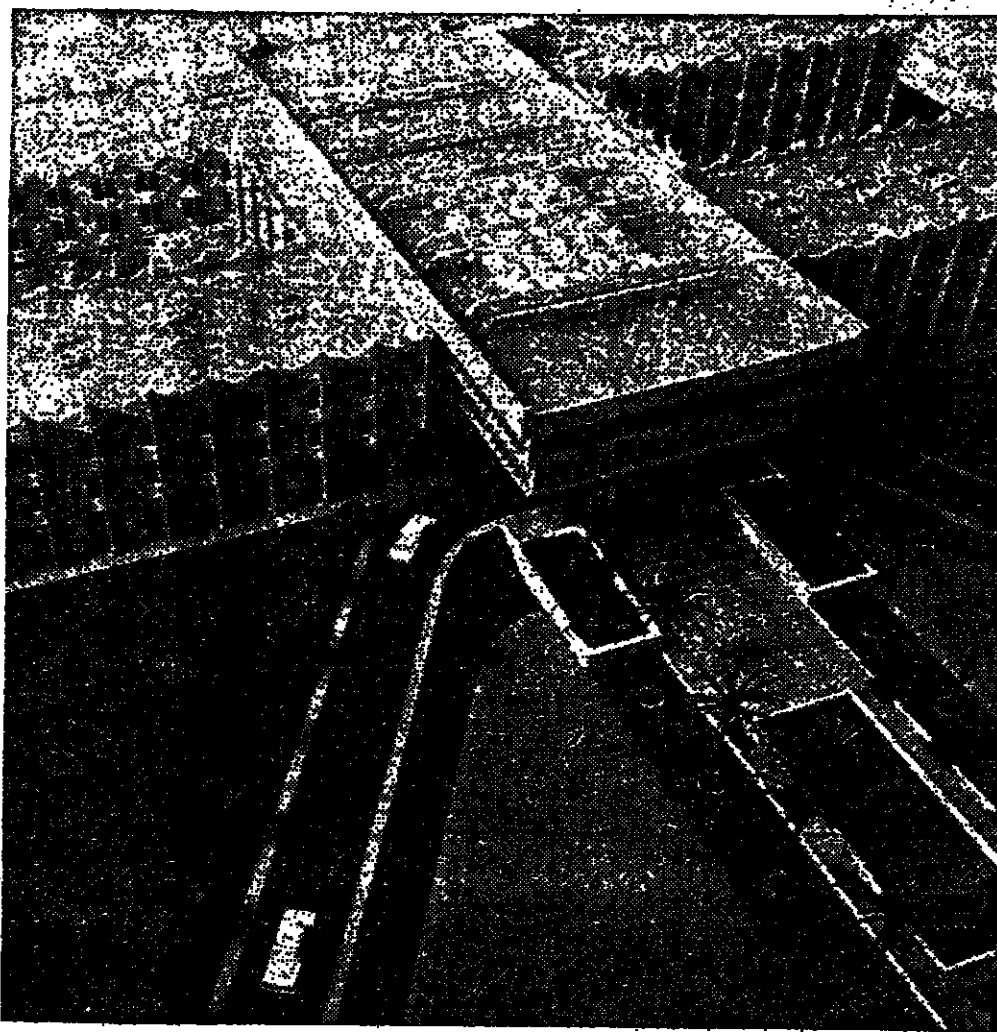
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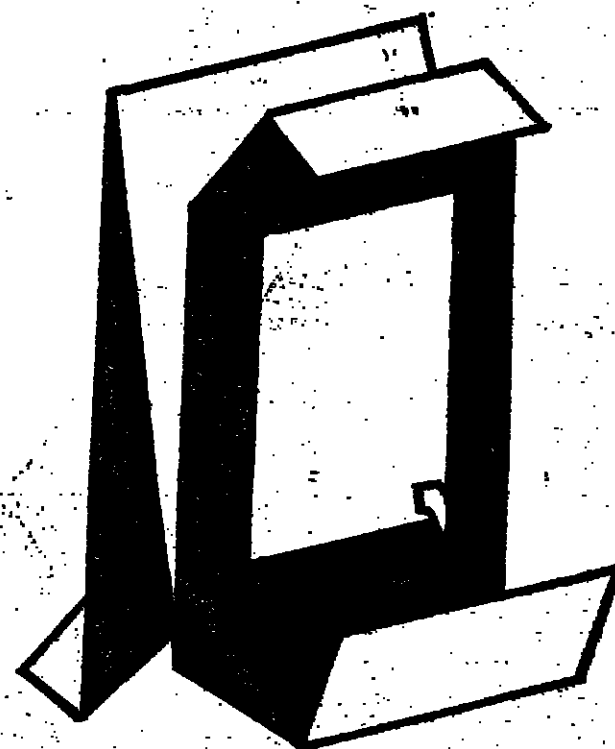
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مركز الأعمال



# Rust grows on the Steel Man of Shelton

BY ALAN PIKE, Labour Correspondent



The Steel Man statue which commemorated a victory but may now remind Shelton of a lost cause.

Shelton steelworks stands, as has since the early days of the Industrial Revolution, in a valley near the centre of the Shropshire Potteries towns de famous by the novels of John Galsworthy.

Even its location must have contributed to the intensity of the seven years' campaign which has been waged to retain steelmaking at the Shelton site, not on an obscure industrial site, visible only to people who go there to work. It stands at the physical, historical and emotional heart of a tightly-knit community which united to try to save it from the clutches of the steel industry, using the short distance from Shelton, once a village, to the main shopping centre Stoke-on-Trent.

The Shelton campaign is sure of a place in modern industrial history whatever its fate is left for the plant after this week's Government announcement on the steel industry. But this will be little consolation to the campaigners the result is a defeat more bitter than their belief against huge odds—the title had been won in 1975.

"We've been making steel at Shelton Bar since 1839. And through the years of war and strife we've stood the test of time."

So begins the song, *Fight for Shelton Bar*, one of the relics of the campaign. Time began running out for Shelton in the early 1970s. In 1971 the workforce formed the Shelton Action Committee.

In 1973 the late Lord Melchett, then chairman of the British Steel Corporation, visited Stoke and made the widely-expected announcement that iron and steel making could cease in 1975. Shelton's slitting mill would remain, fed

by semi-finished steel from Southwold, but only 950 out of the existing 2,600 jobs would survive.

The action committee's total rejection of this was supported by the local authority, the business community and the people of the Potteries generally. SOS—Save Our Shelton—stickers became familiar around the Midlands.

In spite of Shelton's strong historical and emotional links with the area the action committee's case was based neither on memories of the past nor appeals for sympathy. Its members set out to prove that the plant was economic and the closure of steelmaking unnecessary, although they have always been prepared to accept manpower reductions.

One of the landmarks of the campaign was a costing of BSC's economic arguments for the closure, commissioned by the action committee from Hambros Bank which committee members believed, supported their case. Another was the documentary play "Fight for Shelton Bar" which drew audiences to Stoke's Victoria Theatre. Throughout the fight committee members prided themselves on their commonsense and moderation and were determined to resist detailed, considered arguments. All ranks and trades were united by the action and Shelton's recent industrial relations record is something of a model.

## High cost

It was almost two years after the Melchett announcement that Lord Beswick, then a Minister in the Industry department, in his review of the industry's high-cost plants, determined that steelmaking at Shelton would be

saved. Two new electric arc furnaces were to be installed in place of the old iron and steel-making plant—a plan later modified to a single super arc furnace. This would still mean the loss of some jobs, leaving an eventual total of about 1,650, but there was jubilation in Stoke.

All those who had helped in the campaign were invited to a huge celebration dance and a local businessman contributed the Steelman, a stainless steel statue which now stands in the centre of Stoke. Today it commemorates a famous victory but it may soon become an incongruous reminder of a lost cause.

Relieved men say Shelton workers took on new commitments—some married, others moved home and increased mortgages as they planned for a more secure future.

Fresh complications were to follow. First as its financial position deteriorated BSC made a renewed attempt to close the existing iron and steelmaking process at Shelton ahead of the January 1978 date set by Lord Beswick. Then the workers were told that the new arc furnace would provide far fewer jobs than they had expected. But a strong element of hope still remained alive until recently.

Last Monday BSC announced that it wanted to end production of iron and steel by traditional methods at Shelton not in 1978 but early next month. And it is expected that this week's statement by Mr. Eric Varley, the Industry Secretary, will announce the end of the electric arc furnace project.

A letter from Mr. N. D. MacDonald, divisional managing director, told employees last week that BSC had requested an early meeting with the TUC steel committee to discuss the

closure of the ironworks and the implications for the workforce. Although no official decision has yet been reached on the arc furnace Mr. MacDonald's references to it in his letter were not couched in terms calculated to raise hopes.

"When a decision is announced the Corporation will be in a position to undertake similar discussion with the trade union steel committee covering those employees affected by this decision," he wrote. BSC's intention is that the Shelton mill will continue to operate and will, says the Corporation, become more competitive in cost.

## Deep anger

The plant is again suffering from the depression which it went through in the worst of the old days but there is now a deep anger as well. Men use words like "betrayal" and talk of a "dirty tricks department" loading the argument against Shelton. Named BSC officials are accused of rescinding the action committee's victory in 1975 and of using the present general public acceptance of the need for steel plant closures to get their own back. In a letter to a local MP in October Mr. Gerald Kaufman, Minister of State for Industry, gave an assurance that "Shelton will not be singled out." To suspicious minds at the plant where, unlike Clyde Iron and East Moors, the workforce was not consulted on the proposed advanced closure, this is precisely what has happened.

The Shelton men say that their plant's losses are low and would disappear if they did not have to take unprofitable orders from the Corporation's Southwold works. They point to the good industrial relations

record of Shelton in comparison with some of BSC's larger plants and quote a BSC accountant as saying that with the new electric arc furnace Shelton would be able to produce the cheapest steel in Europe. BSC's reaction is that however the action committee may present the figures, a new investment at Shelton is not economic when viewed in terms of the state of its operations and the industry as a whole.

The Shelton workers have been so closely involved with a fight to save a single plant that in some cases they probably understand the economics of that plant better than some London-based BSC officials. It is understandable that they cannot accept that, profitable or not, the plant may not figure in an overall strategy for a nationalised industry in a state of financial crisis. Thousands of pounds collected in donations and from fund-raising events have been spent on presenting the Shelton case and fighting the closure. Action committee members have spent countless hours in discussions with politicians and, in a sense, have become politicians themselves.

The question to which BSC will be anxiously awaiting the answer is whether the action committee's outright resistance to the moves to end steel-making next month will be supported by the whole workforce or whether, with the peaceful Clyde Iron and East Moors exercises behind them, a large body of Shelton workers will admit defeat.

Such evidence as there is suggests that the Shelton workforce is not yet ready to give up. In a ballot conducted in January, 77.5 per cent favoured continuing the fight in an 82 per cent poll. There are, after all, significant differences between Shelton and the other two

plants. East Moors and Clyde Iron were condemned to close anyway, and their premature shutdown is simply hastening the inevitable in return for enhanced redundancy pay. Shelton did not see itself as a condemned plant. It believed it had a new life ahead with the electric arc furnace.

Another difference, which cannot be overlooked, is the solidarity created by the last seven years' campaign.

Shelton Bar—the name is still widely used locally although Bar disappeared from the official title almost a century ago—runs in families. Mr. Ted Smith, original chairman of the action committee and still a leading member, has worked at Shelton for 23 years, having followed his father into the plant. He met his wife at Shelton when she worked there as a nurse. His own two sons are now employed at the plant and he has four cousins and three uncles who have also been Shelton steelworkers. This experience is not unique.

"I have never been on the dole. I do not want to go on the dole. I will not go on social security," he asserts.

## Redundancy

The unemployment rate in the Stoke-on-Trent area is not as high as in some of the other places where steelworks are scheduled for closure. Nonetheless, the effect of redundancy among a majority of the Shelton workforce would be considerable and, say, action committee members, job losses in companies dependent upon the steelworks would double the direct impact.

What, though, can they do to prevent it? The Shelton action

committee was founded in the the consent of the workforce; days when workers co-operated but people like Ted Smith say that they would not ask for strike action at other BSC factories were threatened. Sheer determination and a total refusal to admit defeat, that this is hardly a realistic situation which ensured that Shelton did not stop producing steel in 1975, remain their weapons as they vow that they will fight on.

## Letters to the Editor

### The threat to landowners

From Mr. W. Legge-Bourke  
Sir—John Cherrington (March 15) speaks of land ownership and personal experience. He started his farming life as a tenant and eventually progressed to owning his own farm. Many other farmers would dearly love to tread the same road. The prospect he accepts so lightly will take it all the more difficult. How the structure of land ownership has changed in the last 100 years is also generally accepted. The structure of land ownership played a major role in the creation of the present highly efficient state of British agriculture compared to other countries—including France.

Of course trends are changing and will continue to do so, but trend towards state acquisition of land in lieu of capital is not as accepted by Mr. Cherrington and proposed by the National Executive Committee of the Labour Party, should be seen for what it is—an interim (if extremely shrewd) tactic in the strategy for the eventual nationalisation of all agricultural land.

Does Mr. Cherrington, as an owner occupier, really accept that prospect happily? It could come far faster than he might expect. The corollary of buying and in lieu of tax is the extension of the essential concessions granted to farmers under capital transfer tax (and envisaged under a wealth tax) are expensive in lost revenue to the Treasury, especially if it is pressed by NEDC, the Country Landowners Association and the National Farmers Union alike. However, the state would always take land in lieu of tax here would be arguably no reason to continue those concessions. Indeed, the actual rates of tax on land could well be increased above the norm. Only in his way could a fair balance be shown against those who have to pay tax in actual cash.

This is the threat which landowners, occupiers and indeed tenants now face. It is the thin end of a very large wedge. Of course, tenants can be and are as efficient as owner occupiers, but Mr. Cherrington admits that the historical trend has been and still is towards owner occupation. This trend has been accompanied by an unprecedented increase in productivity and efficiency in the industry over the same period. The system clearly works. Mr. Cherrington seems content to see that system go to the wall.

These proposals do nothing to encourage either landlords, tenants or owner-occupiers to increase productivity, provide continuing capital investment or feel any sense of security for the future. Quite the reverse, inevitably, it will be the housewife who suffers in the end—as usual.

W. N. Legge-Bourke,  
Stanswick Park,  
Rackhamwell,  
Swansea, Wales.

### Simplified accounts

From Mr. A. Price  
Sir—Mr. Martin Gibbs (March 15) called for support for his belief that simplified versions of annual accounts would be appropriate for most shareholders as well as for employees. I believe that he is right and that both those in high places in the City, the professional institutes, etc., and the Government would do well to read his remarks carefully.

A recent survey by the Confederation of British Industry suggested that 61 per cent of managers in British industry cannot explain adequately how profit is calculated. This is scarcely surprising since it is probably also true that 90 per cent of the general public are incapable of explaining this concept in terms which the rest of the world can understand. This is reflected in the poor quality of presentation and layout of the accounts of many small businesses. Some of these are set out in such a way as to conceal the truth rather than reveal it. For example, it is more often than not impossible to calculate a meaningful gross profit margin.

Managers in industry, and the owners of small businesses, are among the better educated independent shareholders. If they do not understand the basic concepts of accounts, cannot explain the difference between a profit and a loss account and are unable to complete a balance sheet, it is certain that the majority of shareholders are just as badly in need of help as are employees.

The work which has been done to improve accounting standards and to extract better and more complete information from public companies is laudable and worthwhile. City and business managements, however, should recognise that they might as well be talking in Chinese to the majority of their audience. This situation will not be remedied by starting up reports with pie charts and bright colours. The intelligentsia of the financial and accounting world should realise that it must go back to school to learn how to talk to the rest of the world.

This is not just a matter of public relations. The lack of understanding of financial matters, which is so general throughout the population, must be one of the obstacles to economic progress.

A. St. J. Price,  
Prudential House,  
28-40, Blossom Street, York.

### Index-linked pensions

From Mr. J. Hasey  
Sir—It does seem that some letters on index-linked pensions rather miss the two main points at issue. Surely we must first compare the pension benefits enjoyed by past and present public employees with those permitted in the private sector and make some attempt to estimate the comparative costs.

One client of mine is a long retired regular soldier whose pension has risen over the years to well in excess of his pay at retirement. While most others who have retired from the private sector have had no increase, furthermore, the Revenue rules for schemes of that time did not permit provision for indexation and I believe still do not do so, but merely permit an assumed allowance which may or may not be sufficient.

Costs are of course impossible to compare, since even the Government Actuary cannot tell us there is no public employees pension fund in existence, all that has to be done is to balance today's actual pensions payable with the contributions of those still working and charge any difference to the taxpayer. This difference has been kept within reasonable limits to date, simply by the large increase in the number of public employees and hence their contributions. The trouble is going on, but the numbers level out, and when they even begin to fall and rise again.

### A question of immigration

From Mr. Robin Day  
Sir—Your TV critic Chris Dunkley (March 15) has attacked my handling of the BBC 2 programme "A question of immigration." I make no comment on his more personal remarks, but I am entitled to point out that much of his criticism is totally misconceived, bears no relation to the facts, and is unworthy of a serious newspaper.

Mr. Dunkley's first and most fatuous criticism was that "what ever the main question under discussion was it certainly wasn't immigration." As any viewer other than Mr. Dunkley will have seen and heard, immigration was clearly the main question, and was put to the participants as follows: "Are the numbers of coloured immigrants now being accepted too high? Could those numbers be reduced by stricter controls, and if so, how? What of Mr. Powell's argument that the numbers likely to continue coming in can only be effectively reduced by reducing the numbers living here?"

If Mr. Dunkley still persists in his perverse opinion that the main question was not immigration, I can only remind him that some of the participants protested for the very reason that the question was immigration, instead of what they would have preferred to discuss, namely, race relations or racial discrimination.

Mr. Dunkley describes me as "deliberately obtuse" towards the speaker who thought it was hypocritical for the debate to centre on "coloured" immigration. Any obtuseness on this point is Mr. Dunkley's. What I did was to tell the speaker that the Home Secretary had admitted that immigration controls were "to keep out unwanted coloured people." (The Home Secretary nodded his agreement.) Would Mr. Dunkley have preferred the debate to pretend that it was not about "coloured" immigration? Would that have been less hypocritical?

As to the councillor who angrily shouted that he had been ignored, it was necessary for me to remind him that he had been invited with no guarantee of being able to speak (which he agreed was so), and that an impossible situation would arise if everyone present insisted on speaking. Mr. Dunkley would have been the first to attack me if the programme had been allowed to degenerate into an ugly brawl.

Another of Mr. Dunkley's nonsensical criticisms referred to "the ease with which Enoch Powell was allowed to get away with certain phrases." In fact, as was noted in newspaper reports, Mr. Powell was repeatedly pressed by myself and others about the meaning and implications of his policy. Judging by "humorous" viewers' comments to me in praise of this programme, many more people would agree with the headline over Mr. Dunkley's article ("Getting it almost right") than with the ill-founded criticisms which the article contained.

Chris Dunkley writes: Wittingly or not, Robin Day concedes the point when he admits that the question put in the programme—and throughout the discussion—concerned not immigration in general as the title implied, but coloured people. It was precisely this hypocrisy that upset the lady protester I mentioned.

From the Director,  
Centre for Innovation and Productivity,  
Sheffield City Polytechnic.  
Sir—Mr. O. R. J. Lee (March 15) expresses the real issue in the perennial argument about the function of industry with perception. But he is five or ten years ahead of most other people. The problem is that in large organisations, people do not understand the fundamentals that are obvious to the small businessman. In a one-man business the owner-manager-worker realises that he earns his living by serving his customers. He exists on the gap between the income from his customers and the outgoings to his suppliers. This profit, the wealth he has created, is subject to tax. The businessman spends part of his profit after tax on food, clothes, and perhaps some luxuries. He retains part of the profit to replace the fixed assets. (If he doesn't, his business will not survive in the long run.) He may also retain enough profit to finance expansion. But he knows full well that his only source of income is the profit that comes from serving the customer.

When he recruits someone to work in the business for a wage rather than a share of the profit, the businessman takes a risk that the extra profit will at least cover the wage. At that point both he and the taxman redefine profit as the sum left after paying not only suppliers but also employees. But the employee can recognise that his wages depend on serving the customer. Eventually the business grows so large that the profit is measured in millions of pounds and the wage bill in hundreds of millions. Then people lose sight of the idea that the function of the business is to serve the customer. Customers can do without any one business but no business can exist without customers. By serving the customer a business creates wealth which can then be shared between the employees, the investors and the government. Some of the wealth created must be retained to replace assets and, if necessary, to finance expansion.

Unfortunately, successive Governments have tampered with the basic rules of business to the point where the ordinary citizen does not understand that wealth must be created before it can be shared out. Somehow, we need to get this simple message across, not just in industry but in the public services which are, or should be, creating wealth.

P. G. Wood,  
Hillfields House,  
16, Fitzalan Square, Sheffield.

### Wealth must be created

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### GENERAL

EEC Finance Ministers meet.

Brussels.  
Chairman of House of Commons Select Committee on Economic Affairs, Mr. John Gifford, will be present at the meeting of the EEC Finance Ministers on Tuesday.

TUC Finance and General Purposes Committee meets.

Joint management-union Steel Committee meets and is expected to discuss further BSC plant closures.

National Union of Mineworkers' Yorkshire Area Council holds annual meeting, Barnsley.

Negotiating conference for new c/o BBC TV Centre, Wood Lane, W.12.

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### To-day's Events

International Wheat Agreement continues in Geneva.

Third and final Cantor Lecture on the theme "The Creation of Wealth," Royal Society of Arts, John Adam Street, W.C.2.

Moni Finistion, chairman, Sears Engineering, speaks on "Creative Management." Sir Leslie Murphy, chairman, National Enterprise Board, presides.

USSR—the Outlook for British Business, a CBI seminar, will be opened by Sir John Methven, its director-general, at Quaglin's, S.W.1. Speakers include Dr. J. M. Gvishiani, Deputy Chairman of

the State Committee for Science and Technology under the Council of Ministers of the USSR.

Sir Peter Vannock, Lord Mayor of London, receives Mr. V. S. Alkhimov, chairman, State Bank of the Soviet Union, at Mansion House, E.C.4.

PARLIAMENTARY BUSINESS  
House of Commons: Consolidated Fund Bill.

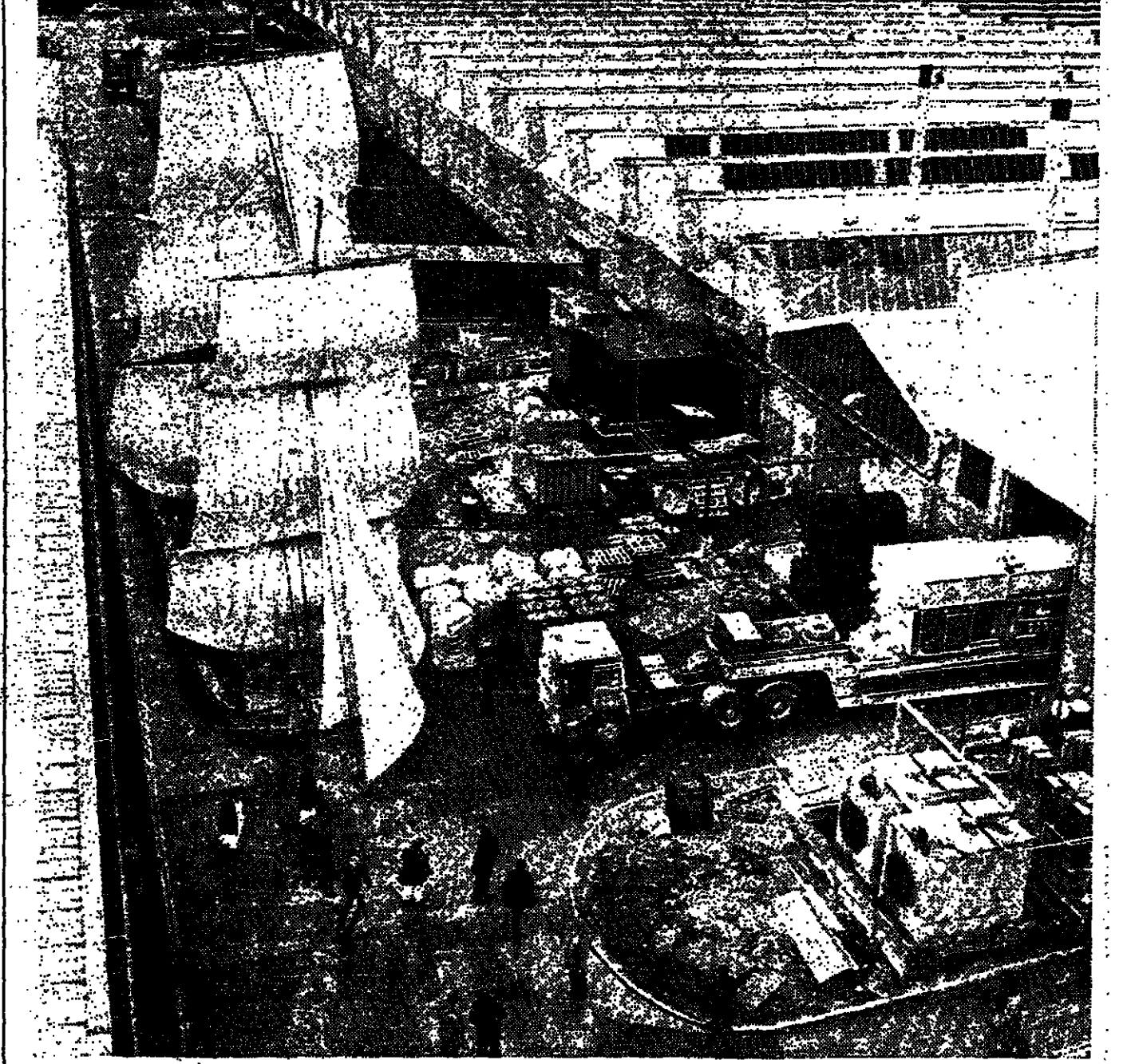
House of Lords: Shipbuilding (Redundancy Payments) Bill, third reading, Northern Ireland (Emergency Provisions) Bill, consideration of Commons amend-

ments. Civil Aviation Bill remaining stages. Debate on farm prices and the Milk Marketing Board.

OFFICIAL STATISTICS  
Gross domestic product (fourth quarter, provisional). Construction new orders (January).

COMPANY RESULTS  
Booker McConnell (full year), British Leyland (full year), Hepworth Ceramic (full year), Willis Faber (full year).

COMPANY MEETINGS  
See Week's Financial Diary on Page 38.  
SPORT  
Rugby Union: Schools Sevens, Rosslyn Park. Golf: Sunningdale Foursomes.



## The Ship promotes business expansion

UDT—the Ship—has the finance to get business expansion and development programmes moving.

For over 65 years UDT has helped businessmen to finance their own and their customers' plant, machinery and vehicles and to expand their operations and profits.

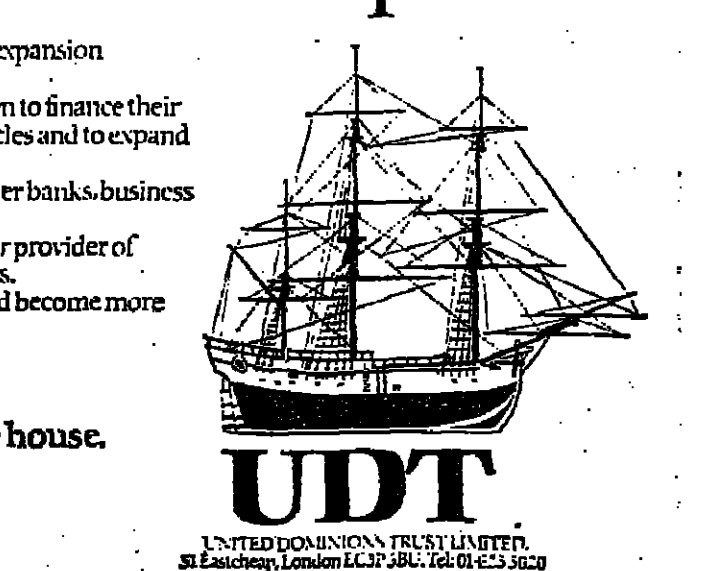
UDT offers competitive rates for deposits to other banks, business concerns and the general public.

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## ew issue flow causes problems

Norway and the shortest tranche of the Canadian bond. The Norwegian issue was increased from the scheduled \$100m.

Demand for the two tranches ECSC bond was reported to be steady. The two tranches are expected to be priced to-night, as also the floating rate note for Costa Rica.

Mar. 17 -	Price Fr.	+ or - Fr.
Mentre 4	717.2	-8.9
Afrique Centrale	717.2	-8.9
Algerie	277.5	+5.5
Aquitaine	558.1	+3.6
BIC	548	+12
Bourges	823	+15
B.S.S. - Gervais	406	+7
Carrefour	1580	-40
C.O.M.	1580	-40
C.O.M. - Amstel	1,090	+31
Cie Monaco	324.8	+9.8
Cink Meditter.	408.8	+8.8
Croffit Com Fr's	128.4	+3.4
Croissant Loire	81.0	13
Dumes	555	-15
Ec. Petroles	119	+14
Fr. Occidentale	190.0	-0.9
Imetel	65	+1.2
Jacques Barot	83	-0.1
Leclercq	15	0

Peabody	86.1	+2.5	7.2
Perkin-Elmer	236	+11	7.0
Radio-Carbon	318	+8	6.9
Rohm	343.5	+2.5	6.8
Radio-Technique	417	+17	25.5
Rohmco	569	9	9.4
Rhone-Poulenc	64.8	+1.8	9
S. G. Wilson	167	+8	9
S. L. Worcester	1,646	-98	3.9
Soc. Gen. Ind.	165	+10	45.7
Permeacarbon	597	+22	22.75
Dominy Brand	177	9	15.16
U-stew	25	+0.2	
<b>VIENNA</b>			
Mar. 17	47 Mar.	+ -	1%
London Metals	350		10

[illegible]



Robert Leigh-Pemberton (at left), Chairman, National Westminster Bank Limited, in conversation with Mr. and Mrs. Morris Serlin. Mr. Serlin is Chairman and Chief Executive of Home-Pac Ltd. and a NatWest shareholder, and both he and his wife are customers of the Bank.

**"It is one of the great attributes of the clearing banks that we can harness our customers' money to increase the country's exports, exploit its new energy programmes and contribute to its industrial investment."**



"My firm has had a happy relationship with NatWest for many years, basically built up through our branch manager. How do you see the manager's role continuing and developing in the future?"

"The role of the branch manager is fundamental to NatWest, indeed to the whole British banking system. All our senior people started life in High Street branches, and the standard of banking they learned there is as good as any in the world. So we would be foolish to change this system, which is the basis of the relationship between the bank and its customers."

"I'm fortunate because I bank at my husband's branch, but many customers, especially women, don't even know who their bank manager is—perhaps because they have no real need to meet him."

"I'm sure you wouldn't expect to find the manager himself behind the counter dealing with the everyday process of paying money in or drawing it out. But if you do want help on a financial matter, and you ask at the counter, they will arrange for you to see the manager—or an assistant manager in our bigger branches."

"Do you think somebody, say a small businessman, would think of asking the manager about the services you offer, or would they think that he would not know anyway?"

"I find it difficult to believe that a small businessman who has a banking relationship with us will not sooner or later say to the manager 'Well, this is my problem, is there any answer to it?' We have the full range of commercial services that the smaller businessman requires and our managers can give a complete outline of them. In fact I am referring in my annual statement to the problems of small businesses."

"With interest rates where they are at the moment, do you think we can look forward to a reasonable rate of industrial investment in the next year?"

"I hope so, but it is not really taking place yet in the country as a whole. I think businessmen are still a little lacking in confidence about the long-term prospects, and therefore reluctant to commit themselves."

"If inflation is brought further under control and wage rates are held, this will give everybody a lot more confidence, and a lot more incentive too. I personally think that this question about expansion and investment is a really fundamental one. It is, in fact, one of the great attributes of the clearing banks that we can harness our customers' money to increase the country's exports, exploit its new energy programmes and contribute to its industrial investment."

"In view of the proposal that the big banks should be nationalised, how do you see NatWest surviving and justifying its existence?"

"Well, we shall survive by the quality of the service we are able to offer. The great danger of nationalisation

is that there wouldn't be the same incentive to maintain that standard of service. I hope you are as desperately anxious about it as we are. We would see it as a grievous extension of the State's ability to encroach on the personal and financial aspects of everyone's life."

"Nationalisation could also reduce foreign confidence in the integrity and skill of banking in this country, and in this country's ability to manage its economy."

"How do you answer attacks on the High Street banks as to why you have so many adjacent branches?"

"Well, I can really only speak for NatWest on this. We have been carrying out rationalisation of our branch network for some years, by closing branches where we think they are no longer necessary, and opening branches where we think it would be wise to have new ones. On the wider issue, it is right that there should be competition between the banks in any one town."

"I believe you are involved in a lot of activities outside the commercial field. Can you tell us more about these?"

"A large commercial organisation like NatWest not only has a responsibility to the country in a commercial sense, but it must also try to do something to improve the quality of life in a more general way. We are giving help to the Arts, Sport, Education, job creation schemes and so on. One scheme I'm particularly proud of is our Project Respond, through which we encourage schools to submit social and community projects for their own area. We then provide the money so that the best ones can be implemented."

"We understand, as shareholders, that there is a ceiling on the dividend. What happens to the remainder of the profit that isn't paid out in dividend and tax?"

"This money is retained in the bank to build up our reserves and to act as the foundation of our future increased operations. As customers' deposits rise so must our reserves, if we are to maintain a prudent ratio between them."

"Secondly, retained profit is used for expanding our operations, both in this country and abroad."

"We are pleased with our profit performance this year, but it is no more than is necessary to achieve these aims. To put the figures in context, our profits represent little more than 1% of the total assets used in the Group, which have risen to something over £19,000 million."

"Do you see a lot of the profits coming from overseas operations next year?"

"Yes, I do. We are now a widely diversified group, as our report to shareholders shows very clearly. We have deliberately been expanding our activities overseas, and in a wide range of services in the U.K., with the purpose of increasing profits from these sources, and the benefits are flowing through strongly."

### Salient points from the Chairman's Statement to Shareholders

Banking will always be an industry dependent for its success on the people who work in it. I am sure I speak for shareholders too in expressing my own appreciation and that of the Board for the contribution members of the staff have made towards the Group's continued progress.

It is becoming more clearly recognised that the progress of small businesses has been inhibited less by lack of finance than by a tax system which discourages the growth of capital, and by the weight of new legislation which has left many small businessmen bewildered. This is not a prescription for expansion.

We have continued to improve our services to UK exporters, and 1977 saw the arrangement of a number of large ECGD-backed facilities either to exporters themselves, or direct to overseas buyers, to finance British exports.

The Wilson Committee's summary of the evidence which it has received so far indicates that, broadly speaking, the financial institutions are performing well in meeting the demands made upon them.

National Westminster Bank sees 1978 as a hopeful year, and we look forward to the prospect of making a significant contribution to an improving industrial scene, both at home and throughout the world.

### Figures taken from the Group Accounts 1977

Ordinary share capital	£225 million
Reserves	£787 million
Current, deposit and other accounts	£17,603 million
Advances	£12,042 million
Group profit after allocation to staff profit-sharing	£228 million
Tax	£117 million
Retained profit	£81 million

# National Westminster Bank Group

Copies of the Report and Accounts, which include the Chairman's Statement, may be obtained from the Secretary's Office, National Westminster Bank Limited, 41 Lothbury, London EC2P 2BP.



## OFFSHORE AND OVERSEAS FUNDS

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1-6, Muromachi, Nishimbashi, Chuo-ku, Tokyo, Japan Foreign Department Telephone 03(244)2845 Telex: J26608 ICHISEC 02233898 DAISJC Cable: SECUREDAIICHI TOKYO

March 16, 1978







## INDUSTRIALS—Continued

[illegible]

INSURANCE COMPANY

Month	Year	Stock	Price	Last	High	Low	Open	Close	Volume	Trades
Jan	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Feb	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Mar	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Apr	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
May	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Jun	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Jul	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Aug	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Sep	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Oct	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Nov	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Dec	1935	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Jan	1936	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Feb	1936	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
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Dec	1940	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Jan	1941	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Feb	1941	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Mar	1941	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Apr	1941	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
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Dec	1944	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Jan	1945	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Feb	1945	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Mar	1945	Aluminum	522	11.00	11.32	11.00	11.00	11.00	1.5	1.0
Apr	19									

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### MINES—Continued

CENTRAL AFRICAN						
	Dividends Paid	Stock	Price	Last Sale	Qty. Traded	Yr. to Close
Nor.	July	Falcon Rb 50c	190	19 5/8	950	1 2/3
		Shook Rb 16c 1/2p.	19	17	375	1 1/2
Dec.	July	Tampanga 50c	222	27 1/8	911 1/2	1 1/2
Jan.	July	W. Africa 50c	80	10 1/2	400	1 1/2
Nor.	May	Wanted of Rb. 1	40	17	97 1/2	1 1/2
		Bank Cpr SBDU 20c	10	11 3/4		

AUSTRALIAN						
Nor.	Apr.	Acacia 50c	10			
		Bourbonville 50 Tons	90	13 1/2		1 1/2
Oct.	May	Rb South 50c	64	10 1/2		1 1/2
Nor.	May	W. Africa 50c	126 1/2	13 1/8	910 c	1 1/2
		K. G. Kallenger 50c	68	8 1/2		1 1/2
September		W. Africa 50c	93	9 1/2	1 1/2	1 1/2
		Meta 50c	10			
Dec.	Apr.	Rb. 1 Wides 50c	142	12 1/2	99c	1 1/2
		W. Africa 50c	17			
		Severnall 1c	12			
		North B. Bridge 50c	87	31 1/2		1 1/2
June	Nov.	W. Africa 50c	148	34	701 1/2	1 1/2
		W. Africa 50c	148	34	701 1/2	1 1/2
		Paracet 1c	775			
		Tampanga 50c	142			
Apr.	Oct.	W. Africa 50c	104	10 1/2	915 c	1 1/2
Oct.	May	W. Africa 50c	102	25 c	40c	1 1/2
		White Creek 20c	50			

**TINS**

[illegible]

**COPPER**

MISCELLANEOUS									
—	Burma Mines	17	9	575	—	—	—	—	—
Aug. Feb.	Cons. Murch. 10	220	31	Q30c	—	—	—	—	—
—	Wor. Gate (SI)	220	31	—	—	—	—	—	—
Jan. June	W. Z	139	51	18 5	q2 1	—	—	—	—
—	Sahina Inds. (SI)	32	—	—	—	—	—	—	—
—	Tarn. Expt. SI	755	—	—	—	—	—	—	—
Nov. July	Tokohi Minerals Np.	45	17	1 1/2	2 5/8	—	—	—	—
October	Yukon Cons. CSI	141	15	9	07c	—	—	—	—

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## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price-earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/E ratios are calculated on the basis of net distributions; book and dividend yields indicate 10 per cent. or more difference if calculated on "full" distributions. Covers are based on "maximum" distributions. Yields are based on middle prices, are gross, adjusted to ACP of

per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are

- Sterling denominated securities which include investments in dollar currency.
- "Tan" Stock
- Highs and Lows marked (thus have been adjusted to allow for rights issues for cash.
- Interim since increased or resumed
- Interim since reduced, paused or deferred.
- Tax-free to non-residents, in application.
- Figures of report omitted
- Unlisted security
- Price at time of suspension.

Indicated dividend after pending scrip and/or rights issues  
cover relates to previous dividend or forecast.

[illegible]

of ex capital distribution.

**Recent Issues " and " Rights " Page 35**

[illegible]

Field Brick 46 [.....]

OPTIONS			
3-month Call Rates			
<b>Industrials</b>			
1	Brags	27	Tube Invest.
2	Br. Cement	28	Unilever
3	Br. Cement	29	Unilever
4	Br. Cement	30	Unilever
5	Br. Cement	31	Unilever
6	Br. Cement	32	Unilever
7	Br. Cement	33	Unilever
8	Br. Cement	34	Unilever
9	Br. Cement	35	Unilever
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341	Br. Cement	367	Unilever
342	Br. Cement	368	Unilever
343	Br. Cement	369	Unilever
344	Br. Cement	370	Unilever
345	Br. Cement	371	Unilever
346	Br. Cement	372	Unilever
347	Br. Cement	373	Unilever
348	Br. Cement	374</	

nd Met.	9	Rank Org. 'A'	18	Ultramar	22
S. 'A'	18	Reed Inl.	14		

K.N.	22	Tesco.	4	Charter Cons.	12
Lawyer Sidd	20	Thorn	22	Cons. Gold	20
House of Fraser	12	Trust Houses	15	Rio T. Zinc	16





# FINANCIAL TIMES

Monday March 20 1978

**Rush & Tompkins**  
Builders & Civil Engineers  
Contractors who care  
01-300 3388

## BATTLE GOES ON TO CURB OIL SLICK THREAT TO BEACHES

# Tanker: Dispute flares over blame

EFFORTS TO control the oil slick which went out to help the slick from the grounded tanker Amoco-Cadiz continued today as controversy grew over how the accident happened.

The \$12m. (26.3m.) ship broke up on rocks three miles off Brest on the Brittany coast in the early hours of Friday morning. It is estimated that about 70,000 tonnes of the light crude oil it was carrying to an English port were spilled.

The slick threatens about 40 miles of the Brittany coastline from La Vieille Lighthouse in the north down to Pointe St. Mathieu. It averages about six miles across.

A change in the wind direction and generally worsening weather conditions have tended to drive the slick to the north-east and it is breaking up.

An eight-man team from the ship's owners, Amoco International, has flown from Chicago to investigate the damage and look at ways of improving the clean-up operation and preventing the spillage of the oil remaining in the ship, which is estimated at 140,000 tonnes.

The team is led by Mr. Harry Rinkema, vice-president, marine transportation, of Amoco International. He understood there were differences in accounts of how the tanker went aground.

These differences concern the time-scale of events on Thursday from the moment the steering gear failed at 9.40 a.m. to the time when the tanker went aground at 9 p.m.

Mr. Rinkema believed a discussion had taken place between the captain of the tanker and the captain of the tug Pacific, which went out to help the slick from the grounded tanker Amoco-Cadiz continued today as controversy grew over how the accident happened.



A French Navy helicopter flies over the partially submerged superstructure of the Amoco Cadiz.

It is using polystyrene pellets to soak up oil nearer land. Four more vessels have been called in from Cherbourg and the British Navy has offered assistance and is standing by.

Two inflatable rubber barriers have been placed across narrow inlets to the north, but naval authorities have said it would be impossible to protect the Bay of Brest in the same way. The faster flow of the current would drive the oil underneath.

Amoco has flown in six hydraulic pumps from the U.S., which the company hopes to use in pumping the remaining oil out of the ship.

It is believed that three of the tanker's 15 compartments were punctured when the ship split in two and the others are intact. Lightening the load could prevent a further disaster.

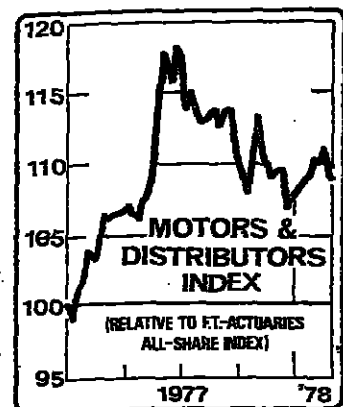
One of the many points agreed by last month's tanker safety conference of a UN agency was a requirement for all tankers over 10,000 dwt to carry a pair of independent steering systems, each operable from the bridge.

Although the Amoco-Cadiz steering had twin pumps and twin motors, she was reliant on a single hydraulic transmission line and it was this which failed, putting her in serious difficulties in a heavy sea. On the face of it, such an arrangement will be outlawed when the UN requirement comes into force, probably in 1981.

## THE LEX COLUMN

# NatWest's sky high spending plans

National Westminster Bank has departed from tradition and become the first clearing bank to live up to its annual report with a few glossy photographs. But what really catches the eye about the balance sheet is the continued very heavy investment in fixed assets and the fact that less than two years after its last rights issue the bank's capital ratios, despite a fractional improvement last year in absolute terms, are now the lowest of the "Big Four."



Over the last three years NatWest has invested £248m. in new premises and equipment and with outstanding 'capital commitments' of £182m. at the end of 1977 its ambitious spending plans show little sign of tailing off as yet. Since the group's retained profits over the period only amounted to £182m., the wisdom of maintaining such a high level of capital spending is arguable, especially since the bank actually retained less profit last year than it did in 1973.

Clearly, NatWest's big investment in projects such as the Bishopsgate Tower and the rebuilding of Courts' offices on the Strand is straining the group's financial resources and at the moment, at least, is inhibiting its growth. Back in 1973, for example, NatWest was slightly larger than Barclays in terms of deposits and made an extra £15m. per annum in pre-tax profits. By contrast, last year Barclays' profits were £40m. above those of NatWest and deposits were £1.7bn. higher. Moreover, Barclays has not had a rights issue.

By pouring large sums of money into bricks and mortar NatWest has put pressure on its capital ratios. Its free capital ratio stands at 2.5 per cent, against an average 3.5 at the other three clearing banks, after taking into account Midland's rights issue, and free equity ratio of 1.8 per cent, compares with an average 1.5 per cent. for the other three. Although 45 per cent of the group's property (including sites being re-developed) is included in the books at cost, shareholders are given no indication of how much these assets might really be worth.

Motor components  
Few sectors suffered more from last year's rapid downgrading of profit expectations than motor components, with the FT Actuaries Motors and Distributors Index turning down into clear relative decline in the second half of 1977. After a bumper 1976, when rising output and unusually smooth production runs led to large profits rising throughout the components sector, more recent history has been quite different. Birmingham brokers Albert E. Sharp's latest sector review includes estimates that 1977 or 1977-78 pre-tax profits of five largest components makers will show an average fall of some 5 per cent.

That average is dominated by an anticipated setback at Dunlop from £89.1m. to £52.5m. A slight decline from £77.3m. to £74m. is also forecast for the other giant of the sector, Joseph Lucas, although Sharp appears a little more optimistic than their Birmingham rivals Smith Keen Cutler, who upset the Lucas market recently.

However, these various recent difficulties, largely deriving from disrupted labour relations, have now been recognised in the performance of share prices, and the question now is whether 1978 can bring a better industry performance. As far as Sharp is concerned, the answer is yes, and the brokers pick out Associated Engineering and Lucas for medium term growth, and Birmid Quacast for income (currently 11.3 per cent.).

The case is founded upon a projected 9 per cent. rise in U.K. car production to 1.45m. units, a firm demand for replacement components (except in a tyre market badly hit by cheap imports) and a more settled labour scene. Against this, commercial vehicle and tractor production are being held back by the weakness of exports.

Sharp's optimism about labour relations, however, seems a little vaguely based. In the first two months of 1978 strikes at big

Speke and Halewood have actually left car production 2 per cent. lower. It is true that 1978 would have to be very bad to rival 1977 for strike losses, but there is still a chance of major trouble at Leyland—the brokers take the precaution to point out the low Leyland exposure of most component makers (the most vulnerable being Wilmot Breeden, with 15 per cent. group dependence on Leyland).

There are certainly some different views around. One talking point in the market last week, for instance, was the put through of 700,000 Associated Engineering, while further big lines are still being offered. But on balance there is a fair case for saying that short term prospects for the sector are brightening somewhat. And there remain two important longer term trends—the growth of the diesel market, and the steady transformation of the U.S. car market with its swing towards more economical European-type models bringing, perhaps, new opportunities for the European component manufacturers.

## Audit standards

It now looks as if mid-1978 is the earliest the accounting bodies will be in a position to issue definitive auditing standards.

This is so far behind the original schedule of the mid-1970s—the timetable has already been extended several times—that it is time some explanation for the continuous delays was forthcoming. Time and again, over the past three years, Department of Trade inspectors have found auditors' work inadequate.

The latest of these reports—concerning Court Line—which was published last week, demonstrates how difficult it is to criticise auditing inadequacies so long as there are no comprehensive benchmarks against which to measure performance.

It seems that the latest delay is inspired by fear among the office-holders of the English Institute of Chartered Accountants that another inflation accounting-type revolt by members must be prevented at all costs. At least EDIS is adventuresome. The draft auditing standards—due to be published some time soon for six months' discussion—may be a little watered down as to beg the question: What standards?

## Callaghan to meet Carter, Healey for Brussels talks

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE BRITISH Government's efforts to secure early international agreement on moves to stimulate the world economic recovery will be intensified this week.

Important visits overseas will be made by both Sir James Callaghan, the Prime Minister, and Mr. Denis Healey, the Chancellor.

Mr. Callaghan is due to see President Carter in Washington on Thursday.

This visit, after the Prime Minister's talks in Bonn a week ago with Chancellor Schmidt, is part of a continuing U.K. drive



Mr. Denis Healey Talks on Ortolu plan

to secure agreement on a wide front as possible ahead of the July summit of world leaders in Bonn.

Mr. Healey will be attending a meeting of EEC Finance Ministers in Brussels today, which will discuss proposals for a preliminary action programme for the Commission for Economic Affairs.

Mr. Ortolu's paper presents a bleak picture of the likely rate of growth of Gross Domestic Product in the EEC on present policies—only 2.5 per cent. against last October's target of 4.5 per cent.

## Assessment

He calls for a joint assessment mechanism to examine the performance of member economies and to establish how each country can be fitted into a concerted plan to boost growth by about 1 per cent. more than would otherwise have occurred.

This represents a move away from the more general reaffirmation of an overall growth target to a more specific examination of member states' contributions to any general reduction.

The EEC Commission is hoping that the Finance Ministers will today broadly endorse this plan for consideration at the heads of government meeting in Copenhagen in just under three weeks.

This in turn would permit detailed work to go ahead for a joint EEC policy to be agreed at a further heads of government meeting in July just before the world summit.

The U.K. would like more progress to be made within the next few weeks since it believes agreement on improving growth performance is a necessary precondition to other moves on, for example, currencies.

There is a general determination involving not only the U.K. but also other member countries, to keep West Germany as an active supporter of these efforts, since its participation is essential to their success.

## Programme

The hope is that if a common EEC line on boosting the rate of growth can be agreed before the world leaders' summit, then there will be a greater chance of achieving some of Mr. Callaghan's other goals in his five-point programme.

## Squad from Germany joins Moro search

BY DOMINICK J. COYLE

ROME, March 19.

ITALIAN ARMY units and a West German anti-terrorist squad from Wiesbaden are supporting the Italian police and the Carabinieri here in the search for Sig. Alino Moro, the Christian Democrat leader and former Prime Minister, kidnapped after a shoot-out in which five policemen died.

The authorities are convinced that Sig. Moro is still alive and being held captive in the Rome area where armed police, backed up by dogs, troops and airborne police, maintained road blocks on all main exit routes over the weekend.

There was much less visible police activity on the ground today, but new anti-terrorist measures are likely to be introduced this week under a Ministerial decree.

A photograph of Sig. Moro, sent to a Rome newspaper yesterday and purporting to come from the ultra-Leftist Red Brigades' terrorist organisation, is apparently accepted as genuine.

## Escape

This is seen as confirming the Italian police belief that the former Premier managed to escape injury in the shoot-out near his home when the kidnapping happened. A typed statement accompanying the photograph said that Sig. Moro would be tried before a "people's court."

There is also a growing belief in official circles here that the organisation of Sig. Moro's kidnappings—if not his actual escape—have involved "foreign elements."

The efficient planning and timing of the attack, and its similarity with last year's kidnapping of the leading West German industrialist, Dr. Hans Martin Schleyer, prompted the Italian Government to accept an offer from Bonn for specialists of the West German anti-terrorist squad to be sent to Rome to give "technical support."

## Talks

The Andreotti Government, after top-level talks with the main party leaders, including Sig. Enrico Berlinguer, the Communist Party chief, has for the moment rejected the need to declare a virtual state of emergency. But new provisions are likely to be introduced later this week.

These could include wider powers of arrest, the right to hold suspects for extended periods and possibly to question them without the presence of legal advisers or an examining magistrate, and also the wide use of telephone tapping by the security forces.

For the moment, the Rome police hold only one suspect in connection with the kidnapping (it is thought indirectly) with the Moro kidnapping but identify pictures of three men and a photograph of a woman and a photograph of a man believed to have been involved directly in the kidnapping and also earlier this month in the murder of a Turin policeman involved in investigating Red Brigade attacks.

Turin trial, Page 3

## Options market starts next month

BY MARGARET REID

LONDON'S new market in traded share options, to be launched shortly under Stock Exchange control, now seems likely to open on either Friday, April 21 or a week later, on April 28.

This means that the London venture will begin some two or three weeks later than the larger European Options Exchange, which is to begin trading on April 4 and is costing £2m. to set up.

Final decisions on the rules of the commission to be charged on options deals in London have yet to be taken. But it is expected that the commission payable will be made up of a modest fixed charge per option contract plus a further charge based on the value of the premium money paid as the price of the option.

Indications are that the percentage charge will be under 3 per cent. on perhaps the first £7,000, with a lower percentage on amounts above that. Above the £7,000 level the rate of the minimum commission on share deals goes down from 11 per cent. to 11 per cent.

Some tough negotiating is likely in Amsterdam to-morrow when representatives of the British Government will meet with Mr. Ed Puvion, of Biscop, most chief of the European Options Exchange.

The exchange needs a flow of up-to-date prices of the underlying British shares in which options will be traded—initially 100, 200 and 400—into use as an important part.

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## U.S. price rise curb

IMF officials are opposed to imposing a domestic energy consumption. It is pointed out that the import levy could be imposed by Presidential edict.

Such a levy would have the further advantage of reducing the Budget deficit, estimated at \$80bn. for 1978-79. Under-spending, which is expected to reduce the 1977-78 deficit from over \$80bn. to \$33bn., could be even greater next year if there is a further shift toward fiscal restraint.

The U.K. in common with much IMF thinking, sees eventual relief for the dollar through an acceleration of growth in other countries.

Despite the acceleration in U.S. inflation the world picture is one of declining inflation. A new IMF memorandum points out that the rate of increase of consumer prices, compared with a year earlier, fell last December for the sixth consecutive month, when it reached 7.4 per cent. compared with 8.2 per cent. in July.

This suggests that there may be some degree of world demand deficiency, even taking into account the labour market distortion and other structural forces which prevented earlier ideas of full-employment targets from being achieved.

It follows from this that the industrial countries should make their own compromise between growth and anti-inflation objectives, without worrying too much about their current balance of payments.

This conclusion would be accepted by monetarists and Keynesians alike, although not by some central or private bankers who have become obsessed with U.S. energy imports.

There is also increasing support for a levy on imported oil to curb of transnational relief

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